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The Most Efficient Organization:
A Strategic Issue Management Case Study

by

Cherlynn Emma Moes
Lieutenant, United States Naval Reserve
B.S., University of Arizona, 1986

Submitted in partial fulfillment
of the requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL
December 1991

REPORT DOCUMENTATION PAGE

1a REPORT SECURITY CLASSIFICATION UNCLASSIED	1b RESTRICTIVE MARKINGS
2a SECURITY CLASSIFICATION AUTHORITY	3 DISTRIBUTION/AVAILABILITY OF REPORT Approved for public release; distribution is unlimited.
2b DECLASSIFICATION/DOWNGRADING SCHEDULE	
4 PERFORMING ORGANIZATION REPORT NUMBER(S)	5 MONITORING ORGANIZATION REPORT NUMBER(S)
6a NAME OF PERFORMING ORGANIZATION Naval Postgraduate School 6b OFFICE SYMBOL (*If applicable*) 36	7a NAME OF MONITORING ORGANIZATION Naval Postgraduate School
6c ADDRESS (*City, State, and ZIP Code*) Monterey, CA 93943-5000	7b ADDRESS (*City, State, and ZIP Code*) Monterey, CA 93943-5000
8a NAME OF FUNDING/SPONSORING ORGANIZATION 8b OFFICE SYMBOL (*If applicable*)	9 PROCUREMENT INSTRUMENT IDENTIFICATION NUMBER
8c ADDRESS (*City, State, and ZIP Code*)	10 SOURCE OF FUNDING NUMBERS Program Element No / Project No / Task No / Work Unit Accession Number

11 TITLE (*Include Security Classification*)
THE MOST EFFICIENT ORGANIZATION: A STRATEGIC ISSUE MANAGEMENT CASE STUDY

12 PERSONAL AUTHOR(S) Cherlynn Emma Moes

13a TYPE OF REPORT	13b TIME COVERED	14 DATE OF REPORT (*year, month, day*)	15 PAGE COUNT
Master's Thesis	From To	December 1991	138

16 SUPPLEMENTARY NOTATION
The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.

17 COSATI CODES			18 SUBJECT TERMS (*continue on reverse if necessary and identify by block number*)
FIELD	GROUP	SUBGROUP	Strategic Issues Management; Case studies

19 ABSTRACT (*continue on reverse if necessary and identify by block number*)

This thesis is a series of case studies that chronicle the reorganization (decentralization, product/market restructuring) of a Public Works Department on board a Naval Air Station. The organization, environment, events, and personnel involved in the department, implementation, and manangement of a major departmental RIF and reorganization are documented.

20 DISTRIBUTION/AVAILABILITY OF ABSTRACT	21 ABSTRACT SECURITY CLASSIFICATION	
☒ UNCLASSIFIED/UNLIMITED ☐ SAME AS REPORT ☐ DTIC USERS	Unclassified	
22a NAME OF RESPONSIBLE INDIVIDUAL Professor Nancy C. Roberts	22b TELEPHONE (*Include Area code*) (408) 646-2742	22c OFFICE SYMBOL Code AS/Rc

DD FORM 1473, 84 MAR 83 APR edition may be used until exhausted
All other editions are obsolete

SECURITY CLASSIFICATION OF THIS PAGE
Unclassifeid

NAVAL POSTGRADUATE SCHOOL

Monterey, California

THESIS

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STRATEGIC ISSUE MANAGEMENT CASE STUDY

by

Cherlynn Emma Moes

December, 1991

Thesis Advisor: Professor Nancy C. Roberts

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This thesis is a series of case studies that chronicle the reorganization (decentralization, product/market restructuring) of a Public Works Department on board a Naval Air Station. The organization, environment, events, and personnel involved in the development, implementation, and management of a major departmental RIF and reorganization are documented.

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I. INTRODUCTION

A. GENERAL DESCRIPTION

This thesis records the organization, environment, events, and personnel involved in the development, implementation, and management of a major RIF (reduction in force) and reorganization of the Public Works Department (PWD) aboard Naval Air Station Kensington (NAS Kensington). The information is presented in the format of three case studies that cover a period of three years, and are analyzed in view of organization and management theories.

B. METHODOLOGY

A case study is a description of an actual situation faced by a real organization that concentrates on one or more chief issues, decisions, or problems [Ref. 1:p. 3]. The use of cases, particularly as an educational tool, is an effective method to aid students in learning problem-solving and decision making skills [Ref. 2:p. 3].

This thesis is written as a teaching tool. The department's predicament, environment, and personnel are depicted so as to present a situation where students are able to identify the problem(s), propose alternative courses of action and recommend solutions. In order to simplify the search for facts, problems, and solutions the data are

presented in chronological order using a narrative format. The location of the Public Works Department, and the names of the personnel involved have been changed for purposes of confidentiality.

C. BACKGROUND

Our Nation's Defense Department is facing a severe reduction of resources in the next few years. More than ever before we will be called to do more with less. Many of us wonder how that is possible but none-the-less we recognize it is reality. One of the areas soon to be called upon is that of maintaining our aging shore facilities in a mission ready status.

It is the officers of the Civil Engineer Corps, specifically those of the public works activities (departments and centers), who are responsible for the upkeep of our Nation's Naval facilities. It has been my experience that public works activities suffer from a poor reputation for service and work in an environment of work overload and underfunding. Without an adjustment of some type to the system, the current environment will only exacerbate these conditions.

The Public Works Officer at Naval Air Station Kensington, CDR Alexander, chose to take the offensive. His organization as most others was experiencing slow response times, poor workmanship, and was involved primarily in "fire fighting"

(i.e., crisis management instead of preventive maintenance). His response to his current situation and to the cutbacks on the horizon was reorganization utilizing decentralization and strategic management principles.

Within a few months after reorganization, however, OSD released a study (the Defense Management Report Decision) that stipulates consolidation as the most economical method of providing facilities engineering services. NAS Kensington now faces incorporation with Public Works Center Edgewater (PWC Edgewater). If this occurs PWD Kensington will cease to exist. The provision of utilities and virtually all facility maintenance and repair will be "contracted" from PWC Edgewater.

D. RESEARCH QUESTIONS

The principal question addresses the best way to reorganize given a changing environment. Two secondary questions address what factors or inputs should be considered when reorganizing and who should be involved, that is should change come from the top or bottom of an organization.

E. ORGANIZATION OF THESIS

Following this introductory chapter, the thesis is organized into four chapters. Chapter II discusses the case methodology, it value and significance. Chapter III contains three case studies documenting the development, decisions, and

implementation of the reorganization. Case I is primarily background, concentrating on the conditions and decisions leading to reorganization. Case II looks at the implementation of the change and the organization as it is currently operating. Case III entails the departure of the present PWO, and the impending change once again facing PWD NAS Kensington (i.e., input from OSD requiring consolidation). Chapter IV is an analysis of each case. Chapter V is a summary statement in relation to the stated research questions.

II. CASE METHODOLOGY

A. INTRODUCTION

This chapter addresses case methodology. Also discussed are the benefits and disadvantages of using the case method for teaching purposes.

B. CASE STUDIES FOR TEACHING PURPOSES

There are two factors present in virtually any learning situation, the knowledge to be learned and the process of learning. The learning process is the method by which the student makes a decision or solves a problem. A student's ability to deal with the reality of life outside the classroom is contingent on both factors. [Ref. 3:p. 1]

Case studies present real life situations which provide students with a wide range of experiences to compare and evaluate. There are basically three types of cases used for teaching purposes: an issue case, an appraisal case, and a problem set. An "issue case" is a description of a real world situation, problem, or event in which the student is asked to develop and defend recommendations. In an "appraisal case" the decision has already been made or the problem solved. The student evaluates the decision and assesses its potential strengths and weaknesses. The third type of case is one that does not provide the necessary detailed information on the

organization involved and thus is merely a "problem set" which requires only the direct application of course material. [Ref. 4:p. 2]

The purpose of teaching with case studies is to impart to the student the ability to "act intelligently, rationally, and morally in a business situation." [Ref. 1:p. 4] Exposure to numerous case studies provides a myriad of "experiences" from which to draw if ever faced with a similar situation. "Case studies are valuable [for] teaching students the habits of diagnosing problems, analyzing, and evaluating alternatives and formulating workable plans of action." [Ref. 5:p. 56]

Traditionally, problems presented in the classroom environment have only one correct answer and corresponding methodology [Ref. 3:p. 2]. Life, though, is a compilation of changing situations with incomplete or irrelevant information on which decisions must be based. Generally, there is more than one correct decision or solution. "The very basis of the case method is that there are few standard situations or standard solutions...." [Ref. 4:p. 1] It is also important for a student to realize and experience that decisions are not made solely from an analysis of the facts. "The decision is a political process...involving power and influence." [Ref. 6:p. 2]

Admiral Stansfield Turner, USN, Ret., strongly supports the use of case studies in military classrooms. He says, "Many of the education programs, are simply cramming officers'

heads with facts rather than helping them to develop the skills to deal with difficult problems of leadership, strategy, and management.... The case study method will help prepare students for the time when they rise to the level where they really have to make decisions for our country." [Ref. 7:p. 1]

C. BENEFITS OF CASE STUDIES

> 'The essential fact that makes the case system...an educational method of the greatest power is that the student [is]...an active rather than a passive participant.' --Wallace B. Donham, Dean of the Harvard Business School, 1919-1942. [Ref. 1:p. 7]

In order to be an effective, active participant in both the classroom and in the business world, the student must be equipped with the necessary "tools." Cases impart action abilities to students by providing practice in decision making. [Ref. 1:p. 4] Undoubtedly anyone well versed in the use of cases for teaching could add to or subtract from a proposed list of action skills. The skills described below are drawn from a list compiled by Mr. Alfred C. Edge in his book The Guide to Case Analysis and Reporting.

Skill one--Think clearly in complex, ambiguous situations. Frequently the decision-making information provided in a case is deficient, obscure, and/or contradictory. This is an obvious contrast to that of a skillfully worded, coherent, and consistent textbook exercise that is structured to produce "the answer." It is important since problems in management

and administration are laden with these less than perfect circumstances. "Successful experiences with cases give students the practice and confidence necessary for clear, intensive thinking in ambiguous situations where no one right answer exists." [Ref. 1:p. 5]

Skill two--Recognize the significance of information. Studies of modern management have confirmed what any manager already knows. As a manager, one is subjected to large quantities of information. A manager's ability to define problems and solutions is consistent with one's ability to classify extraneous, unimportant, useful, and critical information.

Skill three--Devise reasonable, consistent, creative action plans. The majority of teaching case studies require the student to detail a realistic, consistent, and creative plan of action, not a ridiculous or inexecutable solution. The various elements of the plan are not contradictory or reliant upon conflicting case evidence. Finally, the plan is "creative" in that it steps beyond the given data.

Skill four--Determine vital missing information. A decision maker must be able to discern if the information at hand is sufficient or if further facts and data are needed. A student practices this by solving problems with the information presented in the case, outside resources and practical experience, and by identifying any missing

information that is critical to the preparation of an action plan.

Skill five--Communicate orally in groups. The capacity to listen attentively, to clearly express one's views, to integrate other's views into one's position, and perhaps even to persuade others to one's point of view are a must for the successful manager. These skills are a central part of learning by cases and are reinforced by both in-class and small group discussions.

Skill six--Write clear, forceful, convincing reports. in addition to effective oral communication, it is imperative that a manger (and even his staff) be able to effectively convey their thoughts in writing. "The best way to improve one's writing skills is to write; hence, the usefulness of the case report." [Ref. 1:p. 6]

Skill seven--Apply personal values to organizational decisions. Today's managers, more than ever before, are forced to make decisions that affect company profits, government expenses, and both individual and public interest. The subject of ethics is essential in a professional education. A student's ethical knowledge and maturity is sharpened by stating and defending his viewpoint in case discussions.

Skill eight--Guide student's careers. By being exposed to a wide variety of actual organizational situations, the student gains valuable insight into the function of many job

positions. Students can use these experiences to assess their own interests, aptitude, and limitations, and thereby make a more knowledgeable career choice.

Just as important, the case method of teaching is intellectually challenging for instructors and meets their research needs. The faculty and the "world of practice" are connected as the instructor develops new cases. "It encourages them to be in touch with their professional counterparts, maintaining a dialogue that explores current problems and anticipates future issues." [Ref. 8:p. 25]

D. DISADVANTAGES OF CASE STUDIES

> 'Practically no problem in life...ever presents itself as a case on which a decision can be taken. What appears at first sight to be elements of the problem rarely are the important or relevant things. They are at best symptoms. And often the most visible symptoms are the least revealing ones.' -- Peter Drucker [Ref. 1:p. 29]

There is an initial period of dissatisfaction when students are first exposed to case teaching. The case method places significant demands on students, and until a student begins to understand the purpose of these demands, difficulties and dissatisfactions may arise. As students become comfortable with the challenges of the case method, they find cases help them learn and improve their action skills, and the initial dissatisfaction diminishes. [Ref. 1:p. 10]

Disadvantage one--Cases have no unique answer. Most cases do not have a single correct solution. In fact there may be several feasible, consistent, and effective plans of action. Some students find it difficult to accept that a problem may have more than one "right" answer. Because many situations in actual organizations consist of numerous unknowns, many interrelated factors, unquantifiable goals, and behavioral considerations the best anyone can strive for is to produce an action plan that is consistent, based on facts, thoroughly detailed, and justifiable. There may be several such solutions. [Ref. 1:p. 10]

Disadvantage two--Information is ambiguous and contradictory. The most realistic case possible is constructed based upon information obtained by reviewing company records, by interviewing key personnel, and by observing the business in action. Due to the nature of the information, such as the biased views of executives and the fallible nature of people, the information conveyed in the case may indeed be ambiguous and contradictory. The case method offers the student a chance to deal with the uncertainties and inconsistencies found in many real issues. [Ref. 1:pp. 10-11]

Disadvantage three--The issue is not expressly stated. In general, cases are a narrative of events in chronological order which lead to a description of an organization at a particular point in time. The student is tasked with

identifying the problem(s) and determining a proper course of action. Due to the fear of identifying an insignificant problem or symptom that is not central to the case, students prefer an exact problem definition. The process of identifying the problem, though, is nonetheless one of the important action skills (skill two) taught by cases. [Ref. 1:p. 11]

Disadvantage four--Information is redundant and irrelevant. A case is a condensed depiction of an organization and its situation; it is not merely a summarization of facts that pertain to a specific decision. The student learns how to differentiate between critical, useful, unimportant, and extraneous data (skill two). [Ref. 1:p. 11]

Disadvantage five--Note taking is difficult. Students who are use to taking numerous notes during a lecture attempt to do the same during an in-class case study discussion. This is unnecessary and often counter-productive because the attention of the note taker is directed away from the class discussion. Typically the resulting notes are uninformative. It is useful, however, to take selective notes concerning useful case analysis and other important points. [Ref. 1:p. 12]

Disadvantage six--Case teaching is inefficient. Indeed lectures are efficient and an economical use of both the instructor's time and energy. The case method intentionally starts with a different purpose and finishes with an

altogether distinctive result. [Ref. 7:p. 23] The whole point of the case study is to apply theories and principles (often learned in a lecture) to real situations. [Ref. 1:p. 12]

> Although the logical organization of subject matter is the proper goal of learning, the logic of the subject cannot be truly meaningful to the learner without his psychological and personal involvement in exploration. 'Only by wrestling with the conditions of the problem at hand, seeking and finding his own way out, does he think.... If he cannot devise his own solution (not of course, in isolation but in correspondence with the teacher and other pupils) and find his own way out he will not learn, not even if he can recite some correct answer with one hundred percent accuracy.' [Ref. 8:p. 24]

E. METHODOLOGY OF THESIS

A case study "treats people as the observable agents through which the unobservable forces of the organization act." [Ref. 6:p. 9] The subject of this theses is a series of case studies that chronicle the events of a major Public Works Department over a three year period. It describes the reorganization of the department (from centralized to decentralized). The case series also describes the leadership, planning, implementation, personnel issues, and future changes as they relate to the reorganization process.

Sources of information included written documentation and personal interviews. Some supplemental information was obtained over the telephone. Written documentation included a customer survey and its results (written and conducted by PWD), departmental documentation such as a command presentation, and various pieces of correspondence.

Interviewed were personnel, both military and civilian, from throughout the department's chain of command. Interviews were conducted by both myself and the Administrative Officer. My interviews were conducted over a period of three days, and were tape recorded and then transcribed at a latter date. I interviewed the PWO, the APWO, three Division Directors, the Emergency/Service's Dispatcher, and the PWD Comptroller Budget Analyst. The Administrative Officer interviewed the General Foreman, the three Shop Foreman, the three P&E's (Planners and Estimators), two Inspectors, the Production Controller, one Division Director, and five workers. Her interviews took place over a period of approximately two weeks and the comments were noted in writing at the time of the interview.

The potential for bias does exist though, as the choice of interviewees was not based on any type of statistical method of sampling. The personnel I interviewed were upper and middle management and were "chosen" based on who was available (i.e., everyone available was interviewed). The personnel interviewed by the Administrative Officer had already been selected and interviewed. Because of time constraints, convenience, and the prevention of duplication of effort, the interviews conducted by the Administrative Officer were utilized.

III. CASE STUDIES

A. INTRODUCTION

Our Navy today consists of approximately 500 ships, 2500 small watercraft, 7000 aircraft, and a work force of more than one million men and women (officers, enlisted personnel, and civilian employees). The Navy projects the world-wide presence of the United States. In order to support this mission, the Navy operates and maintains a multi-billion dollar shore establishment.

This shore establishment consists of shipyards, naval stations, homes, schools, streets, parks, hospitals, research centers, airports, harbors, radio stations, railroads, utility and communication systems, and factories.

The Navy Civil Engineer Corps (CEC) has been given the responsibility for planning, designing, constructing, and maintaining these shore facilities. CEC officers serving as Public Works Officers are tasked with keeping these facilities well-maintained and provided with utilities so they continue to function efficiently.

A Public Works Officer (PWO) is comparable to a city engineer. Depending upon the size of the activity, the PWO may manage a work force of 10 to 400 personnel engaged in the design, construction, maintenance and repair of facilities;

utilities systems operation and maintenance; operation and maintenance of transportation equipment; and family housing maintenance and administration. Public Works Officers are also tasked to manage resources, plan their allocation and analyze the entire operation for future improvements.

The three cases contained in this thesis involve the Public Works Department of NAS Kensington located in San Diego, California, specifically its function of maintenance and repair of the station facilities, and the actions of the Public Works Officer, CDR Alexander. Case study one covers CDR Alexander's first few months on board as PWO, and the circumstances and actions leading to a major reorganization of the Public Works Department. Case study two looks at the implementation of the reorganization, and the department as it is currently functioning. In case three the reader sees the departure of CDR Alexander, and the impending change once again facing PWD, NAS Kensington.

B. CASE STUDY ONE--LET THE COMPETITION BEGIN

1. Background

"Welcome aboard Commander." CDR Alexander was warmly greeted by his staff as he arrived to assume the duty of Public Works Officer (PWO) at Naval Air Station Kensington (NAS Kensington).

The Commander being a "hit the ground running" type of a guy was anxious to get down to business, and called his

Assistant Public Works Officer (APWO), LCDR Patrick, into his office for a run down on the organization and its operations. LCDR Patrick was prepared for such a short notice request and proceeded to brief the Commander.

2. Organization

To carry out its mission, the Public Works Department (PWD) has two officers (the PWO and the APWO), 14 enlisted Seabees (who manage and execute the station Self-Help Program[1] and provide off-hours emergency service and transportation), and over 170 civilian personnel. The Department is divided into various divisions including housing, transportation, maintenance and utilities, contracts, administration, finance, engineering, environmental, FMED (Facility Maintenance Engineering), and Self-Help. The organizational structure and a list of billets are shown in Exhibit 1-1.

The work request process and the basic responsibilities of the organizational components most closely involved in the maintenance and repair of the base facilities are outlined in Exhibit 1-2.

PWD is the largest department of NAS Kensington, with the possible exception of the Supply Department. NAS

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[1] Self-Help is a program that is set up to provide technical advisors (Seabees) and materials to assist a customer in the performance of MWR and "training" type projects (e.g., building a platform on the parade field or building a small footbridge across a creek on base.

Kensington has approximately 15 departments including MWR, AIMD, and Weapons.

Also on board are some 17 tenant commands. The largest of which is Commander, Fighter Airborne Early Warning Wing, U.S. Pacific Fleet (COMFIT). Others include Navy Fighter Weapons School, Naval Air Reserve Center, and Naval Telecommunications Center. While these tenant commands are not in the NAS chain of command, the facilities they occupy are property of the station and therefore require the services of PWD (see Exhibit 1-3).

NAS Kensington is the only naval activity in the San Diego area with its own Public Works Department (facility and real estate statistics are found in Exhibit 1-4). The Navy Public Works Center based at Naval Station Edgewater (approximately 30 miles from NAS Kensington) provides maintenance and utility service to all other San Diego bases.

In addition to his Public Works responsibilities, CDR Alexander serves a second boss, Commander, Southwest Division, Naval Engineering Command (SWDIV), as OICC (Officer In Charge of Construction). That is, he is the contracting authority for virtually all construction of the station. Acting as liaisons with other station staff members, Public Works Engineering develops the Station's needs and priorities. Project requests are then submitted via the chain of command for Congressional approval and funding.

Public Works also works with SWDIV on the station's master plan, environmental issues, real estate, base encroachment, and Air Installations Compatible Use Zones (AICUZ).

3. Situation

"That seems routine enough," stated CDR Alexander as LCDR Patrick finished his brief. "Now let's discuss any problems or concerns specific to PWD, NAS Kensington. I am particularly interested in this package on my desk."

"Yes sir," replied LCDR Patrick. "We are currently in the final stages of a CA (Commercial Activities - OMB Circular A-76) study. As you know, sir, the purpose of the CA study is to determine whether to contract out services or to continue to provide them "in-house." In order to have a competitive cost estimate we must establish our Most Efficient Organization (MEO) (i.e., a streamlined organization that can still perform its intended mission)." (For a full explanation of the OMB A-76 program see Exhibit 1-5.) "The package on your desk contains the outcome of the last five years, and CDR Atwood's (previous PWO) recommendation for the department's MEO (Exhibit 1-6). The deadline for submission of the final package is only a few months away."

During his first few days on board, CDR Alexander reviewed his predecessor's recommendations which basically entailed position downgrades, and mentally noted his

observations and concerns. The Commander's initial "gut" reaction was "This will never cut it. We are sure to lose most, if not all, of our in-house work to a local contractor." The position downgrades were a step in the right direction but the overall organizational structure of the proposed MEO remained the same as the current organization (i.e., a functional, centralized, shop structure). This approach seemed outdated to CDR Alexander when he compared it to the organizational structures now found in successful private businesses (foreign and domestic) and in Naval shipyards. Perhaps further information was required to better evaluate the proposed MEO: Was the current PWD organization functioning well? Were they meeting their customer's needs? Did the MEO take into account the shrinking pool of blue collar workers and cross utilization of trades? (Tradesmen are becoming more difficult to come by as more and more young people choose white collar or service oriented work.) Were costs as low as possible? The workers have known since the first days of the CA study, some five years ago, that some type of change was coming down the road. They know this change will most likely mean a RIF (Reduction In Force). What has been their reaction to all of this?

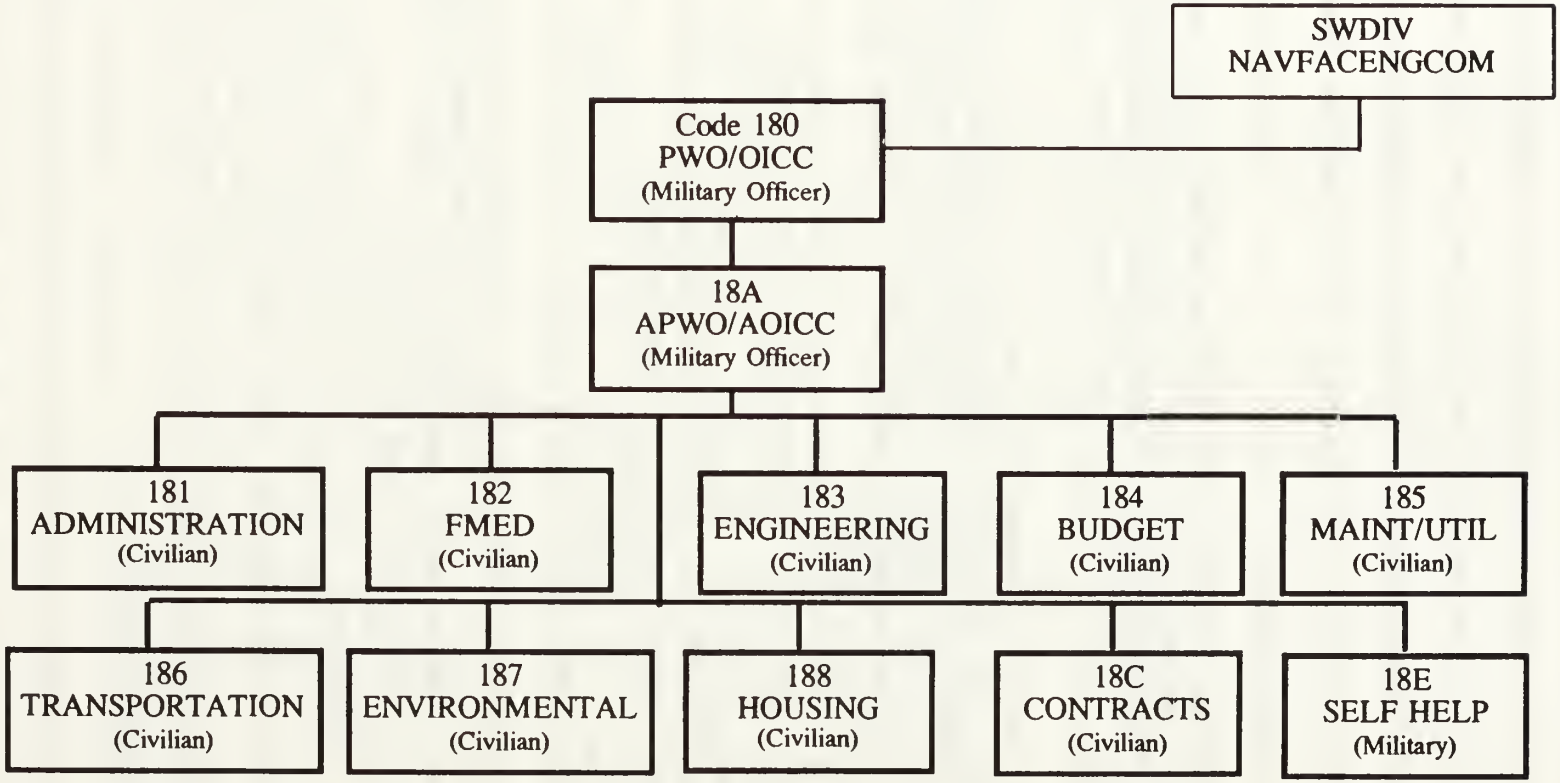
With those thoughts in mind the Commander set the wheels in motion. During the next couple months a customer survey was created and distributed to the other NAS Kensington departments and tenant commands (see Exhibit 1-7 for survey

and tabulated results); division directors were tasked to access their division's status (detailed findings are listed in Exhibit 1-8); and numbers were generated for a dollar and cents look at the maintenance backlog (Exhibit 1-9). After reviewing all of the information CDR Alexander came to the following conclusions.

- The department is not customer oriented. The two primary customer concerns are the length of time required to process and accomplish a work request, and their inability to obtain the status of a work request once it is in the system.
- The morale of the workers is low due primarily to the impending RIF which the employees have been anticipating for the past five years. In addition employee recognition is minimal and extremely restrictive. Current station policy states an employee can only receive a performance award every two years.
- He is dealing with incompetent middle managers.
- His Environmental Division consists of one person. Environmental is one of the most politically sensitive and important areas handled by Public Works.
- The amount of backlog work grew significantly in the previous three years (FYs 87-89).
- The Transportation Division is already organized into their MEO based on the findings and recommendations of a 1986 Management and Productivity study. They are operating effectively and efficiently.

CDR Alexander was more convinced than ever that a change in the proposed MEO was absolutely necessary. The challenge was clear--how to reduce costs further and provide better customer service.

PWD NAS Kensington
Organization and Staffing
[Prior to Jan 1991]



Department Total: 185 Civilians
2 Officers
14 Enlisted
201 Total Authorized

On Board Civilian Count: 171

Exhibit 1-1 (Page 1 of 2)

PWD BILLETS
[Prior Jan 1991]

Title	Grade
Public Works Officer	CDR
Assistant PWO	LCDR
Dept. Secretary	GS-6
Code 181	
Admin Officer	GS-11
Management Analyst	GS-7
Management Asst.	GS-4
Communications Spec.	GS-7
Code 182	
Supvr Eng Tech	GS-12
Supvr P&E (General)	WN-7
Gen Maint Ops Inspector	WG-11
3 - P&Es (General)	WD-8
P&E (Electrical)	WD-8
Supvr Industrial Eng Tech	GS-7
Clerk Typist	GS-4
Clerk Typist	GS-3
Data Transcriber	GS-2
Code 183	
Supvr Architect	GM-13
Secretary	GS-2
Design Branch	
Supvr Gen Eng	GS-12
Civil Eng	GS-11
Electrical Eng	GS-11
Mech Eng	GS-11
Eng Technician	GS-9
Planning Branch	
Supvr Civil Eng	GS-12
Eng Draftsman	GS-11
Civil Eng	GS-11
2 - Architects	GS-11
Utilities Branch	
Utilities Eng	GS-12
Energy Manager	GS-9
Code 184 (Comptroller empl's)	
Supvr Budget Analyst	GS-9
Code 185	
General Foreman	WS-15
Maint Planning Branch	
2 - Production Controllers	GS-9
Carpentry Branch	
2 - Carpenters	WG-9
Mason	WG-9
Maintenance Wrkr	WG-8
Painting Branch	
Painter Leader	WL-9
3 - Painters	WG-9
Painting Wrkr	WG-7
Maintenance Mech	WG-9
General Service Branch	
Grnd Structures Foreman	WS-9

Title	Grade
Pest Control Branch	
3 - Pest Controllers	WG-9
Ground/Laborer Branch	
2 - Portable Equip Operators	WG-6
Motor Vehicle Operator	WG-6
2 - Tractor Operators	WG-6
Laborer	WG-3
Gardening Branch	
Gardener Leader	WG-6
2 - Gardners	WG-6
2 - Laborers	WG-3
Metal Trades Branch	
Maintenance Foreman	WS-10
Machinist/Equipment Branch	
Machinist Leader	WL-10
Machinist	WG-10
Equip Mech	WG-10
Toolroom Mech	WG-6
Equip Repairer	WG-8
Equip Mech	WG-9
Welding/Sheetmetal Branch	
Welder	WG-10
2 - Sheetmetal Mechs	WG-10
Plumbing Branch	
Pipefitter Foreman	WS-10
4 - Pipefitters	WG-10
2 - Plumbers	WG-9
Electrical Branch	
Electrician Foreman	WS-10
7 - Electricians	WG-10
2 - Electrician (Runway)	WG-10
Electrician (High Voltage)	WG-10
Electronics Mech	WG-10
Utilities Branch	
Boiler Plant Foreman	WS-10
5 - Boiler Plant Operators	WG-11
Powered Support Systems	WG-11
2 - Boiler Plant Equip Mech	WG-10
3 - Electricians	WG-10
Swimming Pool Operator	WG-7
Pipefitter	WG-10
HVAC Branch	
6 - HVAC Mechanics	WG-10
2 - HVAC Wrkrs	WG-8
Emergency Services Branch	
Electrical Wrkr	WG-8
Locksmith	WG-9
Gardener	WG-4
2 - Electricians	WG-10
Maintenance Wrkr	WG-8
Sign Painter	WG-9
Glazer	WG-9
2 - Plumbers	WG-9
Locksmith	WG-9
Laborer	WG-3

Exhibit 1-1 (Page 2 of 2)

BASIC RESPONSIBILITIES

[of divisions involved in the maintenance & repair process]

1. FMED

* Establish and execute an inspection program to continuously inspect facilities and equipment to determine maintenance and repair needs.

* Develop annual and long range maintenance plans.

* Determine budget requirements for maintenance and minor construction and make recommendations to the PWO for funding of special maintenance, alteration, and repair projects.

* Receive, screen, classify, and prioritize all work requests including inspection reports and emergency/service calls.

* Prepare scoping estimates for jobs that require customer approval and to aid budgeting and maintenance plan development.

* Prepare detailed job packages including a material list and estimated craft hours as required.

* Prepare shop load plans and issue work authorizations in accordance with those plans.

* Provide customer liaison on facilities maintenance and advise customers of job status.

* Record and report real property inventory data.

2. MAINTENANCE AND UTILITIES DIVISION

* Perform maintenance, repair, alteration, or minor construction of buildings, structures, and utilities systems.

* Plan, schedule, direct and coordinate the operations of the Maintenance and Utilities Shops.

* Operate and maintain steam boiler plant.

* Maintain grounds and irrigation systems not covered under Facilities Support Contracts.

* Perform pest control function in buildings and grounds.

* Prepare and process material requisitions for minor and specific work.

Exhibit 1-2 (Page 1 of 4)

3. ENGINEERING DIVISION

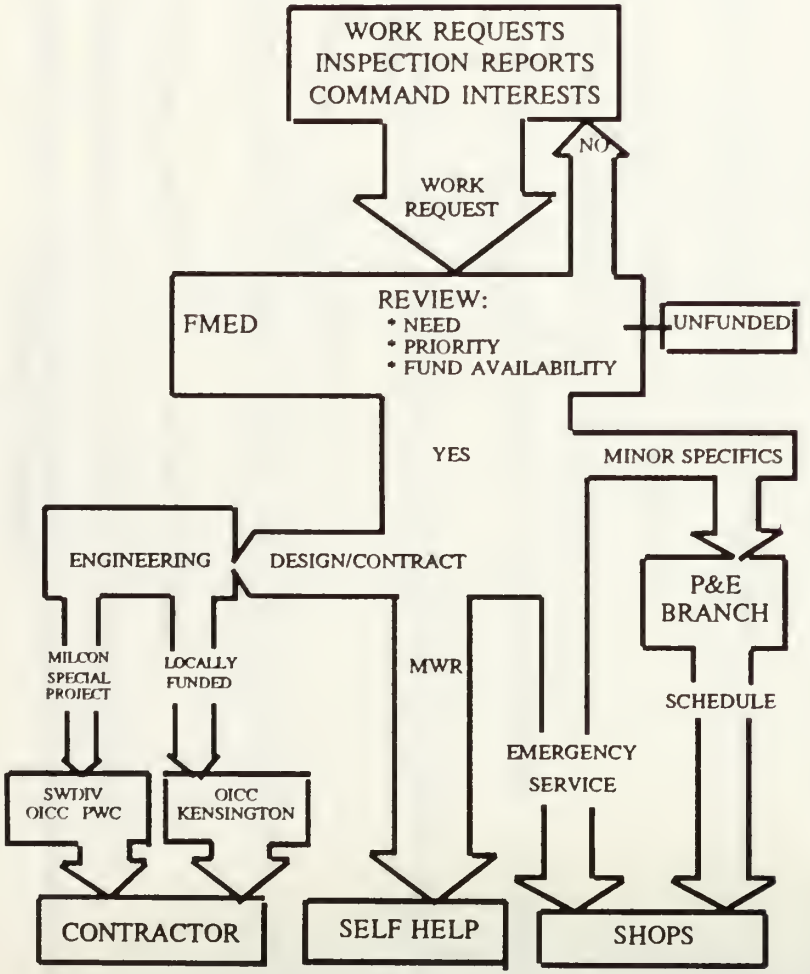
* Provide technical support for maintenance and repair of facilities.

* Conduct engineering studies and prepare reports with respect to public works, public utilities, and environmental protection.

* Implement and administer the Shore Installation and Facilities Planning and Programming System at the activity level.

* Provide continuous technical assistance for the operation, maintenance, utilization, and conservation of utilities.

PUBLIC WORKS WORK FLOW



TYPES OF WORK

Emergency	- Affects operational capability - Endangers life or limb - 4000 per year
Service	- 16 hours of labor or less - $500 or less of material - 10,000 per year
Minor Work	- 17 to 40 hours of labor - 150 per year
Specific Work	- Work over 40 hours of labor
Standing	- Work involving preventive maintance and/or done at fixed intervals - Normally programmed internally by PWD without requiring customer work request - 180 per year

Exhibit 1-2 (Page 3 of 4)

WORK REQUESTS PRIORITIES

IMPORTANCE	WORK CLASSIFICATIONS			
	SAFETY	FUNCTIONAL	PREVENTIVE	APPEARANCE
HIGH	2	3	4	6
ROUTINE	3	5	7	8
LOW	6	7	9	10

SAFETY Work identified primarily for safety reasons.

FUNCTIONAL Work primarily identified with the activity's mission.

APPEARANCE Work primarily for preserving or upgrading the appearance of a facility.

Each of these work classifications will have three levels of importance. The importance level of an individual job is based on its impact in relation to other jobs in the same classification.

HIGH The high level indicates that the urgency of work accomplishment is significantly greater than routine.

ROUTINE The routine level designates the normal degree of urgency for the contemplated work to be accomplished. Most work necessarily will fall into this category.

LOW The low level indicates that the degree of urgency in the accomplishment of the requested work is lower than normal.

PRIORITY 1 Priority 1 is reserved for use with specific approval of the Public Works Officer or Assistant PWO. This priority is an overriding emergency, or urgent priority, that will insert final estimated work into the schedule in any week by date specified--even as soon as the next week.

In general, jobs with the highest priority (lowest number) will precede others of lower priority on the schedule.

Exhibit 1-2 (Page 4 of 4)

TENANT COMMAND/ NAS DEPARTMENT INTERDEPENDENCY

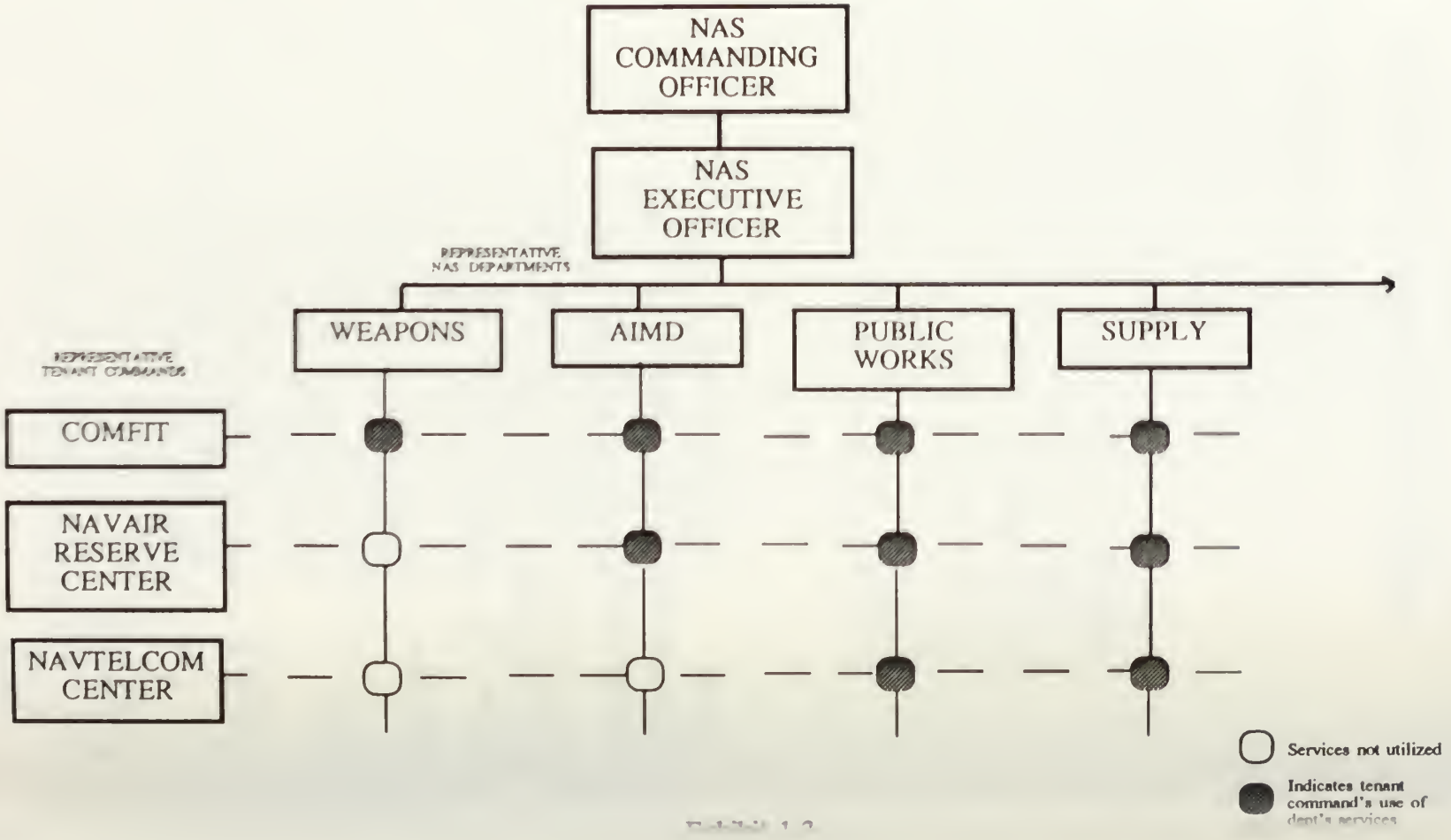


Exhibit 1-2

FACILITIES STATISTICS

ACRES - 23,606 acres owned (141 acres avigation easements)

BUILDINGS - 506

ROADS - 175 miles

IMPROVED LAND - 374 acres

UTILITY LINES - 302 miles

CPV (CURRENT PLANT VALUE OF ALL IMPROVEMENTS) - $593,038,535

PW ESTIMATED REPLACEMENT VALUE:

LAND	$5.2 billion ($125,000/acre)
IMPROVEMENTS	$2.1 billion
TOTAL	$7.3 billion

FAMILY HOUSING ON STATION:

65	Capehart Units (Built 1960)	23 Officer 42 Enlisted	All single units
266	Family Units (Built 1989)	266 Enlisted	2 & 4 unit bldgs
9	Public Quarters (Built 1950's)	9 Enlisted	3 & 6 unit bldgs
108	Mobile Home Spaces (Built 1971)		

REAL ESTATE

CLASS I REAL ESTATE - 23,228 acres +/-

PROPOSED ACQUISITIONS - Exchange 406 acres +/-

PROPOSED DISPOSALS - 195 acres +/-

8 LEASES (CAPITAL IMPROVEMENTS AND/OR RENT)

26 LICENSES (TEMPORARY USE)

EASEMENTS - 11 Avigation (417 acres); 69 other

Exhibit 1-4

LESSON II: OMB CIRCULAR A-76

COMMERCIAL ACTIVITIES PROGRAM

A. INTRODUCTION

Since the 1800's, Congress attempted to restrict size of the Federal Government by regulating numbers of civilian and military employees. These size restraints caused Federal Agencies to contract out for goods and services. Various attempts and recommendations were made to terminate commercial functions performed by Government employees over the years. However, not until 1966 was the first solid Federal policy move towards privatization enacted, when the Bureau of the Budget issued Circular A-76. This set the foundation for today's commercial activities program.

The Office of Management and Budget (OMB) Circular A-76 program prescribes the policies and procedures for use by all executive branch agencies in determining whether products and services used by the government should be obtained from private contractors or performed "in-house." The circular reflects the commitment to reduce the cost of Government and to avoid unwarranted Governmental intrusion into the private sector.

A-76 emphasizes three policies to be followed by the United States Government. They are:

1) **Achieve economy and enhance production through competition.** Whenever possible, the private sector will be allowed to compete against the government in providing goods and services needed by the government.

2) **Retain Government functions in-house.** This refers to such activities as National defense, and other functions that are not in competition with the commercial sector, and shall be performed by Federal employees.

3) **Rely on commercial sector.** This policy states that the government will rely on the commercial sector and not start or carry out any activity that is available through commercial contracts.

Overall, the main theme of Circular A-76 is to commercialize all government activities that can be performed by the civilian community.

There are a limited number of conditions under which the Federal government is authorized to operate a commercial or industrial activity. They include:

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Exhibit 1-5 (Page 1of 11)

(1) NO SATISFACTORY COMMERCIAL SOURCE IS AVAILABLE. Either no commercial source is capable of providing product or service or use of a commercial source would cause an unacceptable delay or disruption of an essential program.

(2) WHEN NATIONAL DEFENSE REQUIREMENTS TAKE PRECEDENCE. The activity is subject to combat conditions, is essential for training in exclusively military skills or the work is required to provide appropriate work assignment for career progression or rotation purposes.

(3) When commercial sources would result in a higher cost to the government.

In order to prove lower cost, government entities are required to conduct cost comparisons and/or review of all in-house activities that have any potential for being performed by a commercial activity.

OMB A-76 has established steps that must be followed whenever a function is being considered for contracting out. Each Federal agency will normally coordinate and monitor commercial activity milestones in accordance with OMB A-76 by placing a designated department in charge of the program. For example, the Chief of Naval Operations (OPNAV 43) coordinates and monitors Navy commercial activity programs. OPNAV 43 will task Navy activities to review certain functions as potential commercial activity candidates, establish reporting milestones, task activities to perform an internal review, maintain a CA inventory, and monitor progress leading to a competition between the government and private sector.

Those activities nominated will do an in-depth review of its current organization and staffing and ultimately establish a Most Efficient Organization (MEO). The MEO is a streamlined organization that can still perform its intended mission, however, it is also the basis for defining the cost to the government of performing that function. Finally, a Statement of Work (SOW) is prepared to describe the details of how the function is performed and becomes the basis for competition with the private sector.

The MEO is turned over to the contracting activity in the form of a sealed bid. The SOW is used to solicit proposals from the commercial sector. It describe the minimum need of the government and is key to the source selecting process. The SOW is also the key to good performance if the function is awarded to a contractor.

The government's estimate to perform the function (based on the MEO) and contractor proposals are compared and a winner is selected. However, contractor proposals must be at least 10 percent lower than the government's proposal to be awarded a contract.

In the simplest of terms, the Commercial Activities program requires all Federal agencies (including the Department of Defense) to procure new commercial goods and services from the private sector, to identify all commercial activities, to conduct cost comparisons between existing government operated commercial activities and interested bidders, and to select the most economical means for obtaining commercial products and services.

B. IMPLEMENTATION

The three areas of Government services that are considered for A-76 implementation are: existing activities, expansions of those activities, and new requirements. The process for conversion of existing activities and new requirements consist of four phases: inventory, management review, cost comparison, and implementation of the results of the cost comparison.

1. Existing Services

To determine if an existing service can or should be commercialized the four phases are broken into 13 steps. The 13 steps are displayed in Figure 1.

If an activity is determined to be a Government function it is retained and the review is complete (step 1). If not, the function must begin the inventory phase and is placed on a schedule for review at least once every five years to determine if it can be commercialized (steps 2 and 3). An inventory of Government commercial activities involves separating the activities into two groups - those functions with ten or less full-time equivalent (FTE) work years and those with more than ten FTEs.

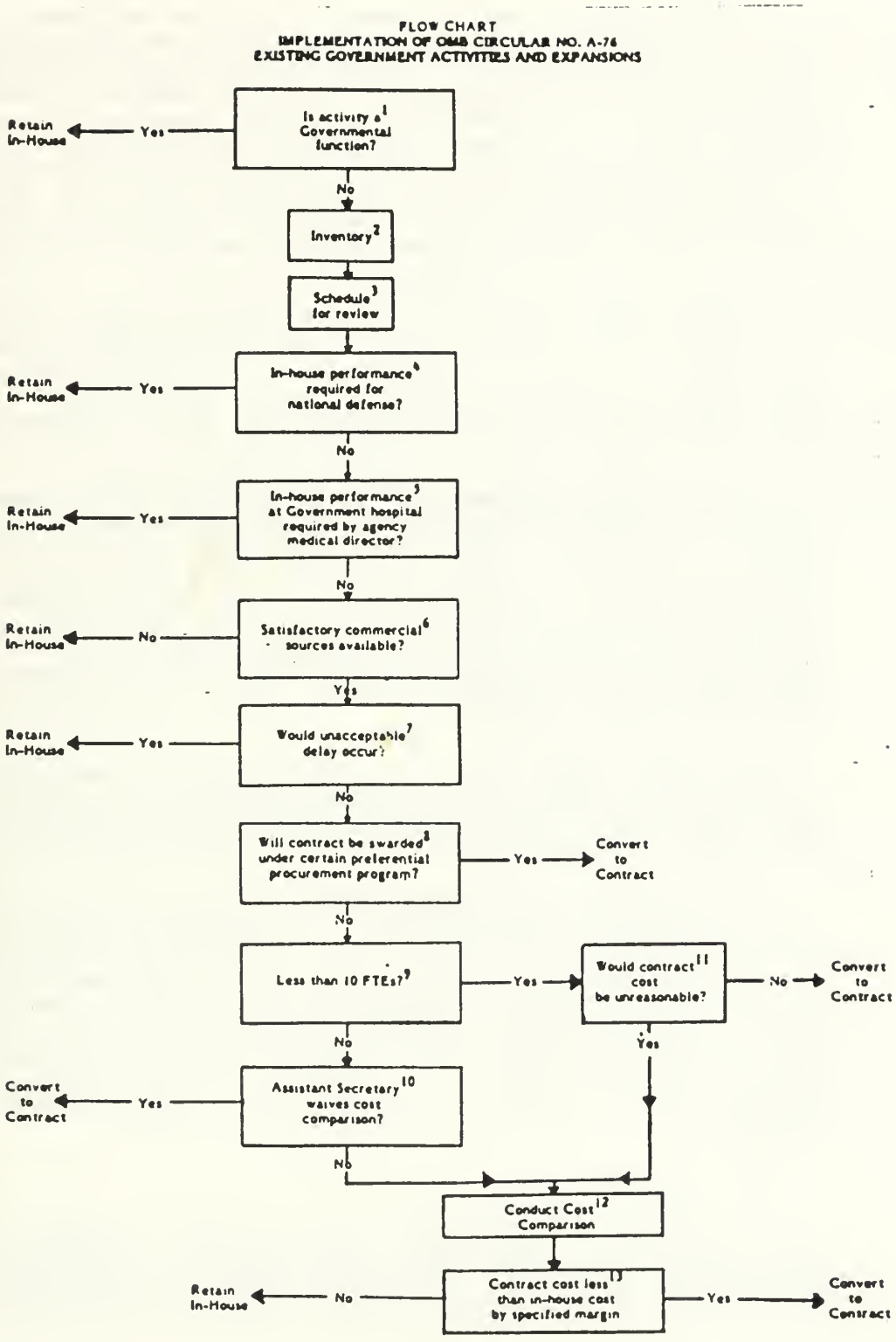

Exhibit 1-5 (Page 4 of 11)

The management review phase of program implementation involves systematic examination and analysis by the activity to identify any circumstances that would preclude performance of the function by a commercial source (steps 4, 5, and 6). Step 7 states that if an unacceptable delay were to occur, the activity should remain in-house. Step 8 is consideration for the Preferential Procurement Program (PPP). The PPP is an agreement such that no comparison between Government and commercial costs need be made, and that contracts are issued under the procuring agency. Federal Prison Industries, handicapped industries and other small and minority businesses are some examples.

Step 9 involves the review of the FTEs established in Step 2. Activities with less than 10 FTEs should be considered for conversion to contract if costs are reasonable (Step 11). Step 10 provides the Assistant Secretary level the option to waive a cost comparison and convert the activity to a commercial contract regardless of any cost increases.

For those functions that can be performed commercially, the third and most complex phase of program implementation begins in the cost comparison (Step 12). The cost study itself consists of several different steps beginning with the development of the Performance Work Statement (PWS). The task analysis involved in the development of the PWS must identify and quantify the output generated by the function. The PWS forms the basis of both the government's and commercial sources' cost estimation/bids and therefore must accurately reflect what is desired in terms of quality and performance.

The next step of the A-76 process is to conduct a management study/review with respect to the stated tasks of the PWS. Once this review has been conducted, the organization is restructured into what is termed as the Most Efficient Organization or MEO.

Concurrent with the development of the MEO is the preparation of the in-house cost estimate. Guidance for the preparation of this estimate is contained in the Cost Comparison Handbook. The government's bid for providing the product or service is compared to that of the lowest, competent private bidder and a decision is made to either retain the function in-house or to contract it out. Step 13 is to award the contract to the commercial sector if contract costs are less than in-house personnel costs by 10 percent or more, of if not to continue Government performance of the activity.

2. New Services

The decision tree for awarding a contract for a new requirement has only eight steps and is displayed in Figure 2. Step one is unchanged, if the activity is a governmental function it remains, if not continue on. Steps two and three determine

whether the activity is National Defense, and patient care, these activities are retained in-house. Step four determines if a satisfactory commercial source is available, if not, the activity will remain in-house. If the contract is to be awarded under PPP, the process ends and the contract is let. If not, then it must be determined if competitive contract costs would be reasonable. If a contract is awarded then the process ends with step six. Should it be determined that it is not reasonable to award a competitive contract without a cost comparison, then one would be conducted (Step seven). Upon completion of the cost comparison, a contract is awarded if the following criteria are met: total contract costs are less than total in-house estimates by ten percent of personnel costs and twenty-five percent of acquisition costs of equipment and plant necessary to perform the service.

Throughout the two A-76 processes there are numerous exceptions and shortcuts available to eliminate the requirements to convert to commercial contract and/or conduct lengthy, time consuming cost comparison studies. These exist to simplify the mechanics involved in transitioning from Government to commercially run activities.

FLOW CHART

IMPLEMENTATION OF OMB CIRCULAR NO. A-76

NEW REQUIREMENT

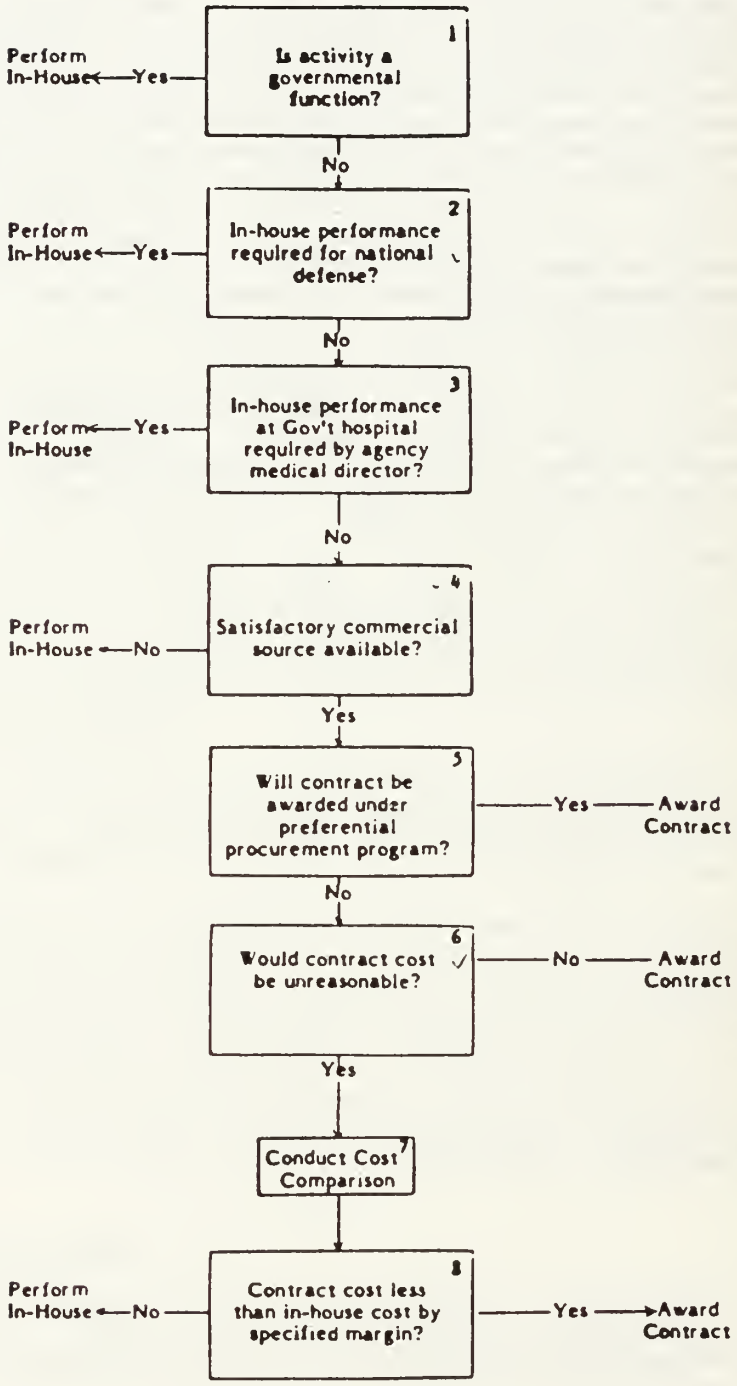

Exhibit 1-5 (Page 7 of 11)

C. REALITY

Since its inception, A-76 has evolved into a controversial instrument. Its proponents claim that it reduces costs, while its opponents argue that it lowers the quality of work performed. In reality, competition for contracts have generated over one billion dollars in savings annually. Since 1979, over 1,700 A-76 cost studies have been conducted with the resultant savings averaging over 20% of previous costs. More recent studies have indicated that even greater savings can be achieved. Potential future savings have been estimated to approach ten billion dollars annually.

Despite these enormous savings, criticism of the A-76 Commercial Activities persist. Some of the criticisms of the A-76 program have included the following (each of them disputed by the Office of Management and Budget):

(1) **Loss of managerial flexibility.** Almost every major business buys some form of goods or services from other businesses. The Federal government is no different. They all do it because it is an economical means to get specialized goods and services at a competitive price.

(2) **Contractor strikes will paralyze Federal operations.** The OMB has documented only two strikes by contractor employees since the inception of the program. Both of these strikes were handled successfully by existing contingency plans. A-76 holds the contractor financially/legally liable for employee strikes. Every A-76 contract is required to have a strike contingency plan.

(3) **Loss of jobs by government employees.** Experience within the Department of Defense (which has the most experience in A-76 contracts) doesn't bear out this criticism. When an activity does contract out, all government employees have the right of first refusal to any employment opening with the contractor.

(4) **Unscrupulous contractors buy-in to A-76 contracts and then raise their prices.** The majority of A-76 contracts are firm, fixed price contracts with pre-priced options which allow only Department of Labor authorized wage increases. The government always retains the prerogative of resuming in-house operations when it becomes more economical to do so.

(5) **A-76 is a contracting out program.** The objective of the program is to improve government management and productivity through fair competition. A-76 is a program which provides the incentive to reexamine and improve Federal operations in order to be cost competitive with the free market system. Where it has been demonstrated that it is more cost effective to retain work in-house, commercial activities remain within that organization. Studies have shown about 45% of commercial activities are retained

in-house after management completes their efficienct reviews. The other 55% of commercial activities contract out. In either case, the decision is based on economy and efficiency and the government has been able to consistently reduce its costs.

(6) **A-76 commercial activities create too much paperwork.** For some people any paperwork is too much. The cost savings garnered by the paperwork required for A-76 studies and contracts have been deemed by the Office of Management and Budget to far outweigh the cost of doing the paperwork.

The paperwork required to comply with Circular A-76 is clearly outlined in the supplement to the circular. The supplement is divided into four parts which clearly outline all requirements for A-76 compliance. The supplement discusses policy implementation, writing and administering performance work statements, management study guide and the cost comparison handbook.

D. A-76 MANAGEMENT TIPS

A positive approach to A-76 related requirements can facilitate a smoother execution of the program. The following management tips are provided to assist comptrollers in the implementation of the A-76 program at their activities.

1. Planning

An A-76 study requires extensive up-front planning and preparation to define requirements, establish objectives, discuss options for achieving those objectives, identify potential problems and solutions, and develop specific procedures for conducting the study. This step lays the ground work for following steps, making it essential for effective executions.

2. Communication

Mistrust, misinformation, low morale, and anger can be reduced by thoroughly communicating the A-76 program to all employees. This communication will not eliminate the negative feelings Government employees have about the A-76 program, but it will mitigate such problems. The employee must understand that the A-76 program is a Government policy that federal managers are required to implement. Communication should include the following:

- Prestudy orientation meeting including a question-and-answer session.

- Periodic interim meetings to report the current status.

- "Easy Access" to staff and management for questions and counseling.

- Postreview briefing of results and impacts, including employment alternatives if the decision is to contract out the function.

3. Participation

The caliber and commitment of the personnel assigned to implement the A-76 study will determine the degree to which objectives are achieved. Participation in an A-76 study should include top management and the establishment of a committee to coordinate and control the overall A-76 program within the organization. This committee should be chaired by a high-level manager and membership should include a senior manager from the affected activity, a union representative, a personnel office supervisor, a senior attorney, and a procurement manager.

In addition to coordinating and controlling the A-67 program, this committee will decide who will conduct the study. It is recommended that the study group include: a contract specialist, a cost and pricing analyst, a personnel specialist, a legal supervisor, and a functional expert.

4. Documentation

The documentation must justify management's decision to contract out or retain the function in-house. Not only is the justification important for presenting to top management and union representatives, but the Government Accounting Office (GAO) routinely audits A-76 reviews. If the documentation is insufficient, the agency is subject to GAO and Congressional criticism. In this regard it is wise to prepare a comprehensive decision paper that identifies the purpose and objectives of the study, the options available, evaluation criteria, a description of the process used and its results, conclusions, and recommendations.

5. Implementation

The implementation step is work extensive and requires a significant effort by the study group, but if the first four steps were done correctly, this step should go smoothly. The plans developed for communication, participation, and documentation are carried out throughout this lengthy and most critical stage.

The personnel office plays a key role during the implementation step. If the decision is to contract out the function, the sensitive area of personnel management must be properly handled to prevent an adverse impact on morale and productivity.

6. Follow-up

An effective follow-up program is important for two reasons depending on whether the function is contracted out or retained in-house. First, follow-up is required to ensure continued improvement of federally performed commercial activities. Second, to ensure that those activities that are contracted out consistently measure up to established standards. The follow-up should be accomplished through identification, discussion, and documentation of "lessons learned;" comparison of actual versus projected results; and periodic evaluation of the quality and cost of the "most efficient" federal or contractor operation.

The six steps discussed here represent nothing new. These same steps are required for the management of any large, detailed program. The above discussion does provide some of the details required to properly accomplish each step. Since the A-76 program is here to stay, the above six steps should be used as a guide in conducting both large and small A-76 reviews.

PWD NAS Kensington
Organization and Staffing
[Prior to Jan 1991]

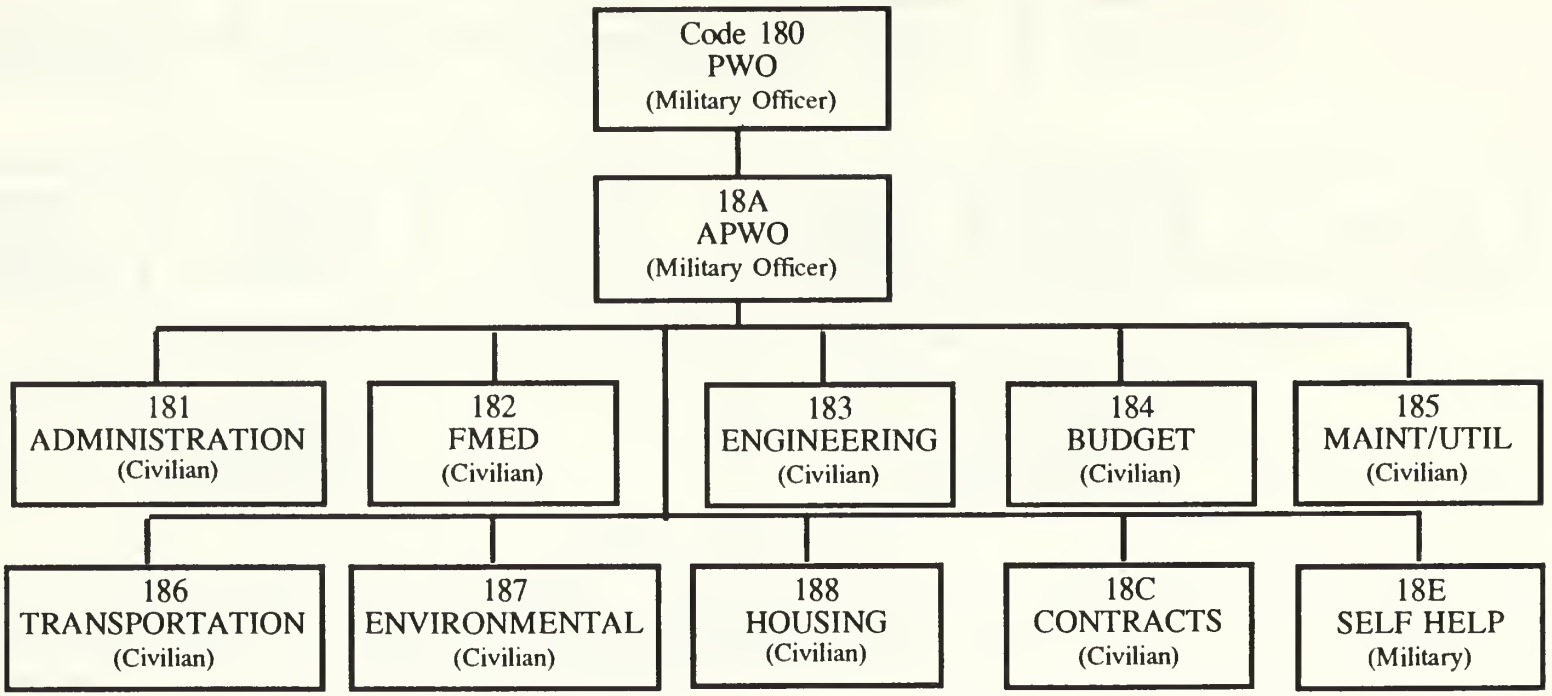

Exhibit 1-6 (Page 1 of 6)

MAINTENANCE/UTILITIES DIVISION

(Current - Prior Jan 1991)

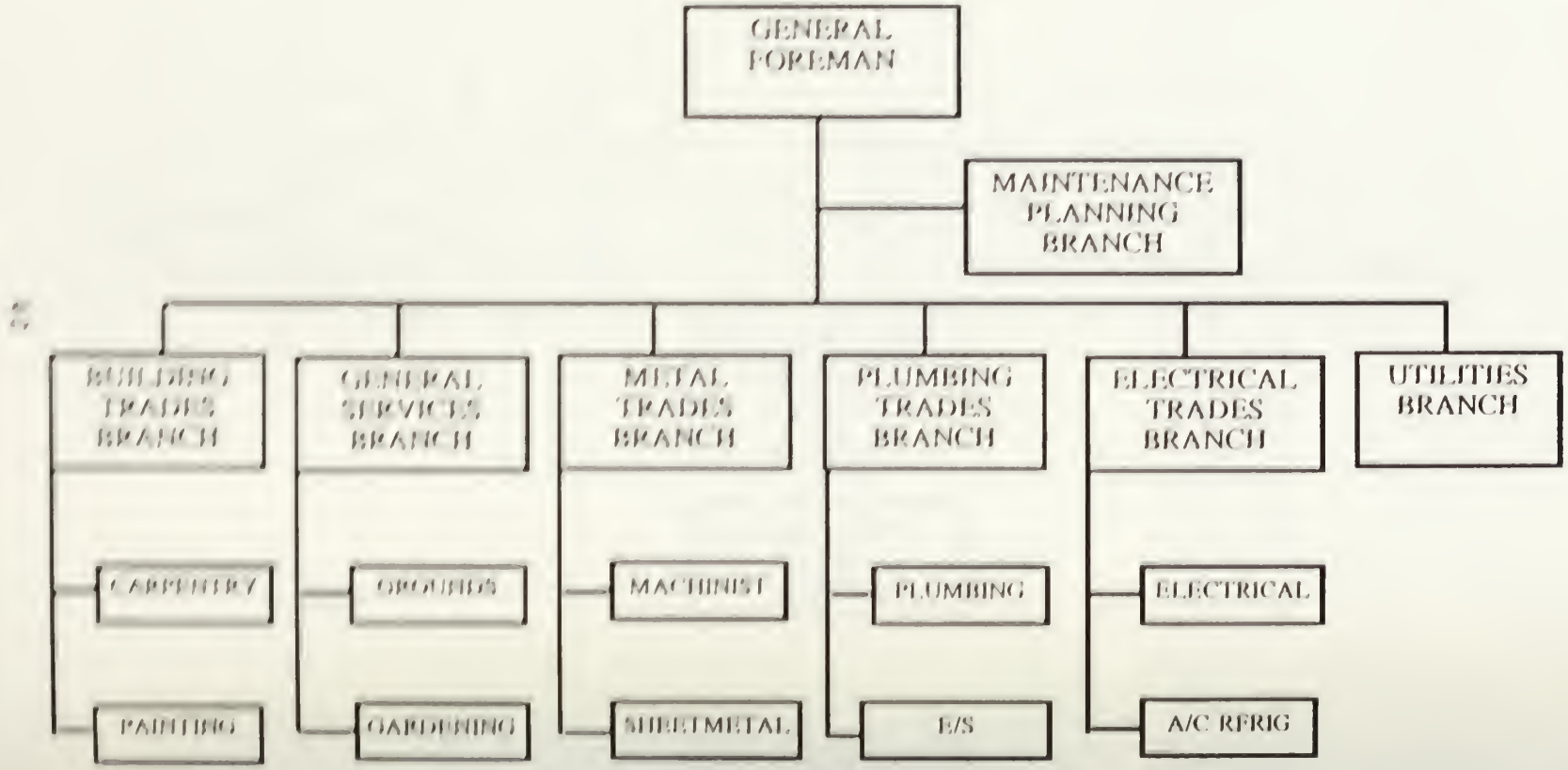

Exhibit 1-6 (Page 2 of 6)

MAINTENANCE/UTILITIES DIVISION
[Predecessor's Proposed MEO]

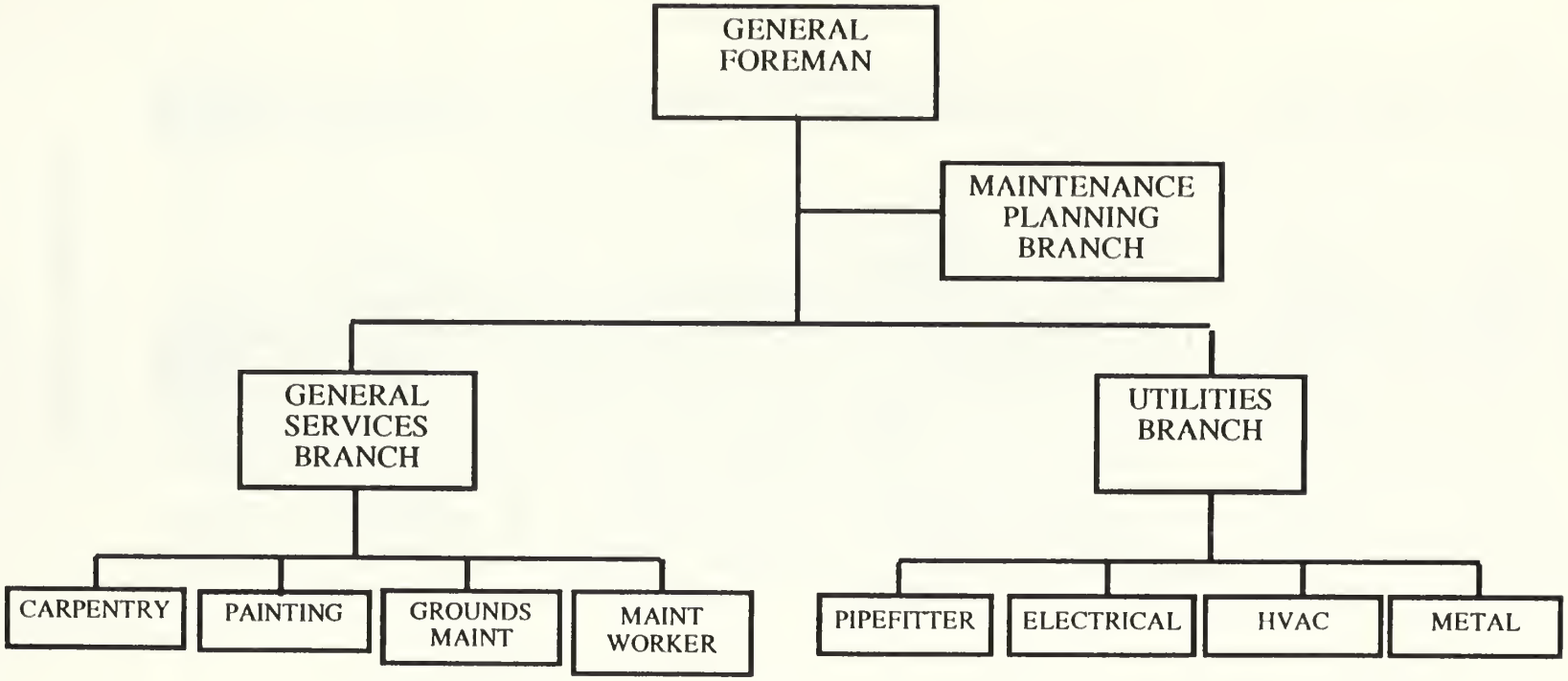

Exhibit 1-6 (Page 3 of 6)

PROPOSED MEO

CODE	POSITION AND GRADE	COST
182	Supv. Logistics Engr. GS-801-12	$40,601
	Industrial Eng Tech. GS-895-9	$28,001
	Facilities Maint. Clerk GS-303-4	$16,517
	Clerk-Typist GS-322-04	$16,517
	Clerk-Typist GS-322-3	$14,714
	P&E (Elec.) WD-2805-8	$35,041
	P&E (Pipe.) WD-4204-8	$35,041
	P&E (General) WD-4701-08	$35,041
	Electrical Inspector WG-2805-11	$28,759
	Pipefitter Inspector WG-4204-11	$28,759
	P.W. Maintenance Inspector WG-4701-11	$28,759
	SUBTOTAL	$307,750
185	P.W. General Foreman WS-4701-15	$44,265
	Clerk-Typist GS-322-04	$16,517
	Production Controller GS-1152-09	$28,001
	Production Controller GS-1152-09	$28,001
	Production Controller GS-1152-09	$28,001
	Utilities Foreman WS-4701-11	$36,189
	Maintenance Foreman WS-4707-10	$35,041
	Electrician Foreman WS-2805-10	$35,041
	Air Cond. Equip. Foreman WS-5306-10	$35,041
	Util. Sys. Repair Oper. WG-4742-11	$28,759
	Electronic Mechanic WG-2605-10	$26,901
	Electrician WG-2805-10	$26,901
	Electrician WG-2805-10	$26,901
	Electrician WG-2805-10	$26,901
	Electrician WG-2805-8/10	$26,901
	Electrician WG-2805-8/10	$26,901
	Electrician WG-2805-8/10	$26,901
	Electrician WG-2805-8/10	$26,901
	Electrician (HV) WG-2810-10	$26,901
	Electrician (HV) WG-2810-10	$26,901
	Machinist WG-3414-10	$26,901
	Mason WG-3603-10	$26,901
	Welder WG-3703-8/10	$26,901
	Welder WG-3703-8/10	$26,901
	Sheetmetal Mech. WG-3806-8/10	$26,901
	Pipefitter WG-4204-10	$26,901
	Pipefitter WG-4204-10	$26,901
	A/C Equip. Mech. WG-5306-8/10	$26,901
	A/C Equip. Mech. WG-5306-8/10	$26,901
	A/C Equip. Mech. WG-5306-8/10	$26,901
	Equip. Repairer/Mech. WG 5352-8/10	$26,901
	Boiler Mech. WG-5309-10	$26,901
	Glazier WG-3611-9	$26,108
	Locksmith WG-3817-9	$26,108
	Dispatcher WG-5701-8	$25,315
	Painter WG-4102-7/9	$26,108
	Plumber WG-4206-9	$26,108
	Plumber WG-4206-9	$26,108
	Plumber WG-4206-9	$26,108

Exhibit 1-6 (Page 4 of 6)

	Carpenter WG-4607-9	$26,108
	Maint. Mech. WG 4749-9	$26,108
	Tool Rm. Mech. WG-4801-8/9	$26,108
	Electrical Worker WG-2805-5/8	$25,315
	Electrical Worker WG-2805-5/8	$25,315
	Electrical Worker WG-2805-5/8	$25,315
	Maint. Worker WG-4749-7/8	$25,315
	Maint. Worker WG-4749-7/8	$25,315
	Maint. Worker WG-4749-7/8	$25,315
	Maint. Worker WG-4749-7/8	$25,315
	Maint. Worker WG-4749-7/8	$25,315
	Maint. Worker WG-4749-7/8	$25,315
	Maint. Worker WG-4749-7/8	$25,315
	Maint. Worker WG-4749-7/8	$25,315
	Maint. Worker WG-4749-7/8	$25,315
	Pest Controller WG-5026-5/7/9	$26,108
	Pest Controller WG-5026-5/7/9	$26,108
	Pest Controller WG-5026-5/7/9	$26,108
	A/C Equip. Mech WG-5306-5/8	$25,315
	A/C Equip. Mech WG-5306-5/8	$25,315
	A/C Equip. Mech WG-5306-5/8	$25,315
	A/C Equip. Mech WG-5306-5/8	$25,315
	Equip. Repairer WG-5352-5/8	$25,315
	Equip. Repairer WG-5352-5/8	$25,315
	Powered Suppt. Sys. Rpr. WG-5378-8	$25,315
	Swim. Pool Opr. WG-5486-8	$25,315
	Sign Painter WG-4104-7	$24,439
	Port. Equip. Opr. WG-5478-6	$23,562
	Painter Helper WG-4102-5	$22,748
	Gardner WG-5003-4	$21,413
	Gardner WG-5003-4	$21,413
	Gardner WG-5003-4	$21,413
	Laborer WG-3502-3	$19,910
	Laborer WG-3502-3	$19,910
	Laborer WG-3502-3	$19,910
	Laborer WG-3502-3	$19,910
	Laborer WG-3502-3	$19,910
	Laborer WG-3502-2	$18,386
	Laborer WG-3502-2 (.626)	$11,510
	Plumber Worker WG-4206-7	$24,439
	Maint. Worker WG-4749-5/7	$24,439
	Maint. Worker WG-4749-5/7	$24,439
	Maint. Worker WG-4749-5/7	$24,439
	Maint. Worker WG-4749-5/7	$24,439
	Equip. Rpr/Mech WG-5352-8/10	$26,901
	Plumber Wkr WG-4206-7	$24,439
	Plumber Wkr WG-4206-7	$24,439
	SUBTOTAL	$2,213,997
$186	Trans. General Foreman WS-4701-14	$42,178
	Auto. Trans. Spec. GS-2150-7/9	$28,001
	Production Controller GS-1152-7	$22,887
	Computer Operator GS-322-5	$18,481
	Acctng Tech. GS-525-4	$16,517
	Auto. Equip. Dispatcher GS-2151-4	$16,517
	Clerk GS-303-3	$14,714
	Trans. Equip. Opr. Foreman WS-5701-10	$26,901
	Automotive Mech. Foreman WS-5823-10	$26,901
	Engin. Equip. Oper. Leader WL-5716-10	$26,901
	Automotive Mech. Leader WL-5823-10	$28,508

Exhibit 1-6 (Page 5 of 6)

	MVO Leader WL-5803-8	$26,797
	MVO Leader (INSTR) WL-5803-7	$26,839
	Auto Repair Insp WG-5823-11	$27,757
	Mobile Equip. Metal Mech WG-3809-10	$26,901
	Rigger WG-5210-10	$26,901
	Engr. Equip. Opr. WG-5716-10	$26,901
	Engr. Equip. Opr. WG-5716-10	$26,901
	Engr. Equip. Opr. WG-5716-10	$26,901
	Heavy Mobile Equip. Mech. WG-5803-8/10	$26,901
	Heavy Mobile Equip. Mech. WG-5803-8/10	$26,901
	Heavy Mobile Equip. Mech. WG-5803-8/10	$26,901
	Auto Mechanic WG-5823-8/10	$26,901
	Auto Mechanic WG-5823-8/10	$26,901
	Auto Mechanic WG-5823-8/10	$26,901
	Auto Mechanic WG-5823-8/10	$26,901
	Auto Mechanic WG-5823-8/10	$26,901
	Auto Mechanic WG-5823-8/10	$26,901
	MVO WG-5703-8	$25,315
	MVO WG-5703-8	$25,315
	MVO WG-5703-8	$25,315
	Auto Worker WG-5823-5/8	$25,315
	Auto Worker WG-5823-5/8	$25,315
	MVO WG-5707-7	$24,439
	MVO WG-5707-7	$24,439
	MVO WG-5707-7	$24,439
	Airfield Clear Equip Opr WG 5767-7	$24,439
	Airfield Clear Equip Opr WG 5767-7	$24,439
	Airfield Clear Equip Opr WG 5767-7	$24,439
	Airfield Clear Equip Opr WG 5767-7	$24,439
	Airfield Clear Equip Opr WG 5767-7	$24,439
	Tire Rpr. Heavy WG-4504-6	$23,562
	MVO WG-5703-6	$23,562
	Tool & Parts Attnd WG-6904-5/6	$23,562
	MVO WG-5703-5	$22,748
	Mobile Equip Serv WG-5806-3	$19,910
	SUBTOTAL	$1,161,944
$187	Hazardous Waste Handler WG-6501-7	$24,439
	Hazardous Waste Handler WG-6501-6	$23,562
	SUBTOTAL	$48,001
	GRAND TOTAL	$3,731,692
	VARIANCE	$35,280

Exhibit 1-6 (Page 6 of 6)

16 AUG 90

MEMORANDUM

From: 180
To: All Public Works Customers

Subj: PUBLIC WORKS CUSTOMER SERVICE SURVEY

1. In an effort to better serve our customers the Public Works Department is conducting a survey among our customers. LTJG Scantz, on TAD assignment, is visitng various Kensington departments and tenant activities to ask how we can improve our service.

2. Your cooperation in this survey is greatly appreciated. Point of contacts are: LTJG Scantz at 7-6397 or LCDR Patrick at 7-1084.

A. W. ALEXANDER

Exhibit 1-7 (Page 1 of 4)

	SAT. YES	UNSAT. NO
1. ARE YOU SATISFIED WITH THE RESPONSE TIME IT TAKES PUBLIC WORKS TO COMPLETE A WORK REQUEST	1 2 3 4 5	
2. ARE EMERGENCY SERVICE (E.S.) CALLS TAKEN CARE OF PROMPTLY	1 2 3 4 5	
3. IS THE RECEPTION BRANCH OF E.S. COURTEOUS AND HELPFUL WHEN PLACING A CALL	1 2 3 4 5	
4. ARE YOU SATISFIED WITH THE QUALITY OF WORK WHEN E.S. MAKES A REPAIR	1 2 3 4 5	
5. HAVE YOU EVER SUBMITTED A WORK REQUEST FOR NON-EMERGENCY SERVICES AND IF YES, DO YOU FIND IT DIFFICULT FILLING OUT A WORK REQUEST	1 2 3 4 5	
6. DOES PUBLIC WORKS EVER NOTIFY YOU ON THE STATIS OF YOUR WORK REQUEST	1 2 3 4 5	
7. ARE YOU FAMILIAR WITH NAS MIRAMAR INST. 11014.1H WHICH OUTLINES THE PROPER PROCEDURES FOR REQUESTING PUBLIC WORK SERVICES	1 2 3 4 5	
8. HAVE YOU TAKEN ADVANTAGE OF THE SELF-HELP PROGRAM	1 2 3 4 5	
9. IF YES, HOW WOULD YOU RATE RESPONSE TIME TO GET SUPPLIES OR ASSISTANCE NEEDED TO COMPLETE SELF-HELP PROJECTS	1 2 3 4 5	
10. HAVE YOU EVER HAD DIFFICULTY RECEIVING A VEHICLE FROM TRANSPORTATION	1 2 3 4 5	
11. ARE YOU SATISFIED WITH THE QUALITY AND TIMELINESS OF VEHICLE REPAIRS	1 2 3 4 5	
12. ARE YOU AWARE THAT NAS MIRAMAR HAS A HAZARDOUS WASTE TRAINING PROGRAM	1 2 3 4 5	
13. HAS IT BEEN BROUGHT TO YOUR ATTENTION THE PROCEDURES FOR PROPER HANDLING AND DISPOSING OF HAZARDOUS WASTE MATERIALS	1 2 3 4 5	

SUGGESTIONS, RECOMMENDATIONS, & COMPLAINTS_____

_____

_____

NAME WORKPLACE
PHONE DEPT.

Exhibit 1-7 (Page 2 of 4)

LTJG [redacted] USNR
19 Oct 1990

SUBJECT: PUBLIC WORKS CUSTOMER SERVICE SURVEY

PURPOSE: Summarize Public Works track record in the Maintenance, Repair, Self-Help, Transportation, and Hazardous Waste Departments so that planning in the future can be Total Quality Management enhanced

BACKGROUND: A survey was provided to NAS [redacted] customers. 13 questions were asked dealing specifically with matters important for Public Works to better understand where improvements can be made. Each survey was personally given to the customer. After the survey was filled out the customer was asked to elaborate on each specific question The customer was than asked to voice any suggestions, recommendations, or complaints

DISCUSSION: The responses to the survey varied from question to question. Response time to emergency service calls and the quality of E.S. repairs were on the whole marked better than average. Being notified on the status of work requests was the single most major complaint and marked overwhelmingly unfavorable in the survey. Major complaints were lack of information when calling to find out on the status of a particular work request and length of time responding to work requests. Many customers also complained about the Trouble Desk losing or not sending back work requests to the right person The Transportation Dept. fared much better with only the Weapons Dept. and AIMD voicing complaints about lack of forklifts for their operations Responses for the Self-Help and Hazardous Waste Dept. were overwhelmingly favorable.

CONCLUSION: Look at the attached survey with the overall percentages for each question.

RECOMMEND: With hard hit areas such as lack of status for work request orders, the customer was not so angry because work requests weren't being done, but because they were constantly left in the dark as to when the job might be approached. The customer would appreciate more feed-back from the Trouble Desk. The type of feed-back the customer wants is more detailed information about their work requests and a approximate date as to when the job might be accomplished. This would keep the customer from resubmitting work request orders because they would know for certain that a job order won't be approached for awhile. The main problem now is that the Trouble Desk for lack of notifying the customer, leaves the customer in the dark and makes him feel forgotten. Alleviate this problem and you will alleviate the problem of the customer constantly resubmitting work requests that are already in the system. The Trouble Desk needs to start a more hands on approach to helping the customer, and needs to get away from always making the customer call first to find out the status. A start would be for the Trouble Desk to send the Work Request Status Reports weekly rather than bi-monthly which is now the current policy.

Exhibit 1-7 (Page 3 of 4)

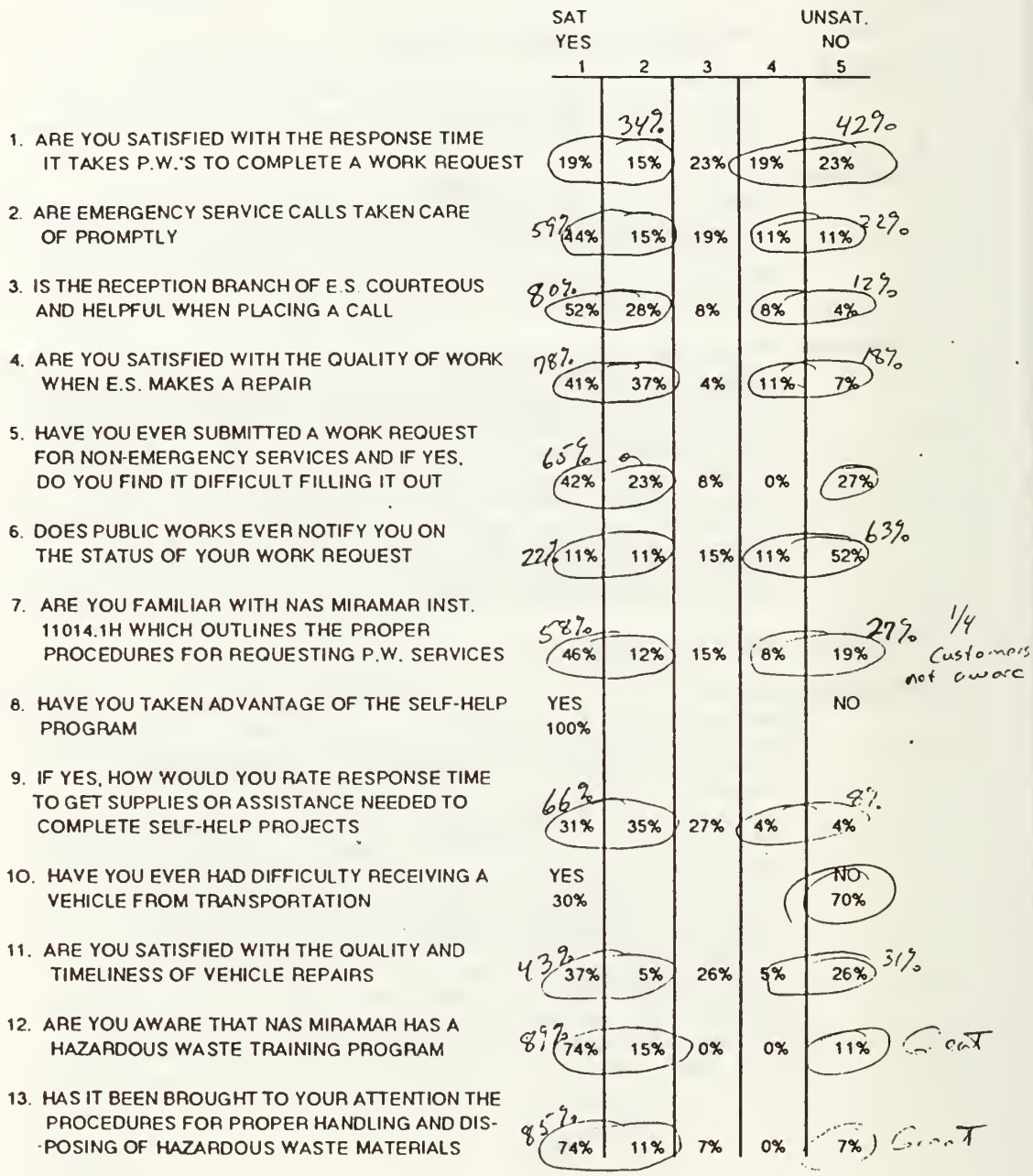

Exhibit 1-7 (Page 4 of 4)

DETAILED FINDINGS
ASSESSMENT OF CURRENT PWD OPERATIONS

1. Assignment of limited quantities of work to craftsman; in some cases, service chits are issued one at a time to the worker.

2. Lack of material/parts for PMI tasks.

3. Not using safety equipment: ear plugs, safety belts on hi-lift equipment and lack of safety/cargo nets to keep material from falling off vehicles.

4. Performance indices have not been developed to cover the effectiveness of scheduling, labor hour distribution, shop productivity, material support effectiveness, P&E productivity, and the effectiveness of the control inspection program.

5. Material support provided by the Supply Dept. is inadequate and hinders the performance of maintenance work. Adequate inventory control is not maintained at the primary operational warehouse. Public Works has not provided input on items to stock or frequency of use.

6. The Engineering Division's response time to work requests is excessive; 24 percent of the work requests are about one year old, 18 percent are two years old, and 4.5 percent are six years old.

7. Inadequate communication/scheduling/work input control:
   * going to perform job which has been completed/cancelled
   * customer not notified in advance
   * job started without material
   * going to job site and finding out that previous phases have not been completed by other shops

8. Inadequate job package/descriptions:
   * lack specific job site location
   * PMI's without checklist or list of buildings

9. Insufficient training on specialized equipment.

10. Insufficient/inadequate preliminary job planning by craftsman (when detailed job description was included in package):
   * bringing wrong tools/materials
   * forgetting tools/materials
   * starting job without reading description/diagram and having to rework

11. Non-availability of foreman when craftsman returns to shop for new assignment.

Ehibit 1-8 (Page 1 of 2)

12. Use of craftman on a one man job
    * poor job assignment practices
    * lack of work to assign

13. Poor work procedures:
    * manually turning sprinkler system on and off , thereby causing excess travel and wasted time
    * operational checks of equipment (not PMI)

14. Craftsman performing work without chits or work requests

15. Equipment deficiencies
    * pest control personnel have to spend excess time filling up tanks because of small diameter hoses
    * defective equipment (hydrometer, battery load tester)
    * older, maintenance prone equipment (triplex mowers)

16. Stopping work before the end of the shift
    * driving around
    * idleness
    * excessive cleaning/putting away of tools and equipment

17. Aging work force--majority retired military
    * excessive sick leave

18. Large number of high visibility, command interest jobs
    * Vice President Quayle's visits
    * annual air show
    * 600 barrels--painted yellow

MAINTENANCE BACKLOG

	FY (000)	
	89	90
TOTAL BACKLOG	53,700	53,964
DEFERRABLE	21,209	21,891
NON-DEFERRABLE	32,491	32,073
% OF FACILITIES INSPECTED	86.4	92

	87	88
TOTAL BACKLOG	46,177	47,098
DEFERRABLE	17,995	15,494
NON-DEFERRABLE	28,222	31,604
% OF FACILITIES INSPECTED	82	53.2

NOTE: THIS IS TOTAL OF BOTH STATION AND PROJECT COSTS.

Exhibit 1-9

C. CASE STUDY TWO--READY...SET...GO!

1. And the Winner is...

Based on his findings and his study of strategic management in private business (in particular Tom Peters book Thriving On Chaos), CDR Alexander decided to revamp the MEO and corresponding cost estimate. His recommendations included a decentralized, product/market organization (better customer service) and a reduction in grade (reclassification) for a number of workers (cost savings). A comparison of the two MEOs is found in Exhibit 2-1. He was now confident that PWD Kensington would be victor in the CA (OMB Circular A-76) study.

Indeed he was right. On August 3rd a message was received from the CNO authorizing continued in-house maintenance and repair of station facilities through the implementation of the MEO.

2. Basis for Decisions

"LCDR Kirkland, welcome, it is good to have you on board." CDR Alexander greeted his new APWO. "I realize you have just arrived, but I would like you to get up to speed on things as quickly as possible. Plan to block out tomorrow morning to discuss the organization and our soon to be implemented MEO. This afternoon go ahead and begin to get settled in."

"LCDR Patrick should have left you a MEO pass-down file with a number of items in it," explained CDR Alexander. "Be sure it has the CNO decision to implement the MEO (Exhibit 2-2), a breakdown of the MEO--billets and organization charts (Exhibit 2-3), and a transition plan (Exhibit 2-4). If any of those items are missing see Nancy (my secretary) for a copy."

"In addition to the information you have in the pass-down file, I would also like you to know and understand where I am coming from and the basis for many of my decisions," the Commander continued.

A RIF will be one of the first actions taken to implement the MEO. Since Public Works' mission is highly labor intensive, a logical step to reduce costs and streamline the organization is to downgrade and/or eliminate positions. CDR Alexander, though, did not want any of his current employees to have to "walk out the door." Therefore, in order to keep everyone employed, the RIF will entail only a reduction in grade for a number of workers, but no actual loss of jobs.

In addition to the reduction in grade as a measure to safeguard positions, no new hires will be considered until after the RIF. Because a RIF is based on civil service seniority a new hire could potentially come in with more years of service or higher veterans points and bump out one of the current workers.

The division most affected by the RIF will be Maintenance and Utilities. They are extremely "top heavy"--so much so, that it is not unusual that a journeyman electrician is being sent out to (and subsequently being paid) to chance light bulbs or a journeyman plumber to replace a washer in a faucet. Both tasks could, and should, be done by a less expensive/less skilled laborer or maintenance worker.

It is also necessary to reduce the grade of some of the positions in order to prepare for the future. In years to come fewer journeymen will be available for hire as a result of our country shifting from an industrial age to a service oriented age of work. This is evidenced by the increasing numbers of young people today who are choosing service type trades (computer analysis, electronic specialists, and the like) and white collar work over blue collar (trade) work.

The other major aspect of the MEO is the restructuring of the organization; again this affects the Maintenance and Utilities Division most significantly. The restructure involves changing from a centralized, functional organization (i.e., shops grouped by trades) to a more decentralized, product/market organization (i.e., shops grouped into geographical teams--regional companies). Organization charts are part of Exhibit 2-3.

The shops will be reorganized into two "regional companies" (i.e., project teams--"Team 1" is responsible for

the north half of the station, and "Team 2" is responsible for the south half of the station) and an emergency services company (E/S is responsible for all emergency and service calls on the station). Each company will be comprised of workers from the various trades, however, because of the position downgrades not every trade will be represented on each team. The maintenance workers will need to take up the slack. This should encourage cross utilization of trades, expedite work request completion, and give the team foremen more control over the scheduling of jobs.

Under the current system a multi-trade work request such as the installation of an electrical junction box would require the supervisors of three of four different shops to coordinate the scheduling of their respective workers--a carpenter to cut a hole in the dry wall for the box, a laborer to pull the wires and to tack weld the box, an electrician to connect the wires, another carpenter to patch the wall after installation of the box, and finally a painter to paint the box and the patched portion of the wall. This process could, and frequently does, take many weeks to complete such simple tasks. If a carpenter is not available the electrician is not able to perform his portion of the task and must wait. Or, if the carpenter, electrician, and laborer complete their portions of the task but a painter is not available, the completion of the job is once again held up. In either case the customer is not receiving the timely service he is due.

By having all of the necessary trades in one team, the team foreman has better control over the scheduling and coordination of work in his area, and by taking advantage of cross trade utilization he would actually only have to send out one or possible two workers to complete such a task.

"Well that should give you a pretty good idea of where I am coming from," stated CDR Alexander as he wrapped up his conversation with LCDR Kirkland. "For a more thorough understanding, I suggest you pick up a copy of Tom Peters' book Thriving On Chaos. If you have any questions don't hesitate to come in and see me."

3. Preparing the Way

Throughout the next several months the Commander held monthly meeting with his division directors, with his shop foreman, and with the individual work groups. Discussions at these meetings focused on what was happening and when it would be happening.

4. The Ax Falls

On 27 January 1991 PWD Kensington finally underwent their long expected RIF. Numerous personnel were "demoted" (reduced in grade) but no one was put out of work. The RIF was the first step in the implementation of the MEO. Public Works, NAS Kensington was now entering a new era of regional companies.

5. The Scoop

"Margaret," (Margaret Shaston is the PWD Administration Officer) would you please come into my office?" inquired CDR Alexander.

"As you know, Margaret, I will be transferring the middle of September and CDR Knight will be taking over the department. Prior to our turnover, I would like you to put together a package detailing the current status of the department and the workings of the "new" organizational structure. I am particularly interested in everyone's thoughts on the team concept and how well they think it is working."

Margaret, not being in the workers' or other division directors' chain of command, was able to obtain candid and forthright comments. The package she turned over to the Commander was a compilation of those comments.

a. APWO comments

- The RIF caused us to put "square pegs in round holes." For example, our most knowledgeable painter was busted back to a maintenance mechanic--painter's helper while a less qualified, but more senior, worker was made a journeyman painter.
- The team concept is not working too well because the workers are not trained in the other trades. Blue collar training is difficult to find and extremely expensive.
- We have an older work force who are very set in their ways. Some of the guys have been working here for 10 to 20 years. They are resistant to any type of change.

- There is a morale problem. Many of the more qualified workers were busted a grade of two; they do not have the responsibility they used to. A common attitude is--"Joe's the 'expert' and he's not working all too hard so why should I. I'll just sit back and coast awhile too."

- We took too big of a step and have pushed the workers outside of their comfort zone. They do not feel qualified to work outside their area of "expertise."

- Prior to the MEO we had no shop load plan or any type of maintenance plan. The squeaky wheel got the grease. Now we have a scheduler on board, a monthly shop load plan is being adhered to, and a base wide maintenance plan is in the works.

- A lot of bad habits were developed during the seven years of the CA study. We must fix those let alone worry about the MEO.

- We are responding to the customer better. COMFIT, our largest customer, has expressed satisfaction with the new set up. The customer gets to know the people working on their building(s) and he knows who is in charge.

- Management has very little idea of what is going on at the worker level. There are very few tools available. We are working on developing some to track productivity and efficiency.

- Everything interdepartmental has been by work of mouth. We have no written explanation or guidance concerning the MEO.

- The vision has not been understood by everyone. The division directors and foremen do not understand why we did what we did. If they don't get it, why should we expect the workers to.

b. Division Director

- We can now perform work more intelligently. That is, if a chit requires multiple trades we can now do the work concurrently instead of in series.

- We still seem to have quite a bit of back-log work, but a lot of it is due to the supply system. Public Works does not receive first consideration--the airplanes are top priority.

- The team concept is good. It makes great business sense. It just needs a little "tweaking." It would help to hire multi-trade employees but with the hiring freeze on we can't do that just yet. Right now we have quite a few "square pegs in round holes."

- Our customers have expressed satisfaction with the new system. They say their service is better than ever.

- Still have the typical civil service employee attitude--do the minimum amount of work absolutely necessary to appear busy. It is not like in private business where the worker must remain current and productive or he is out the door.

- The MEO is based on standards (i.e., the number of man hours available each year). PWD work force is elderly which means more down time then the standards project. The current organization does not have enough people to be able to handle the normal workload and cover for the excessive worker down time.

c. Division Director

- The MEO was put together with a very sharp pencil. CDR Alexander evaluated the contingency and put in a fair, honest bid. It was a catch 22 though. If it had not been we would have lost to the contractors (cost comparisons - Exhibits 2-1 and 2-5), but now since it was we are feeling the pinch of being understaffed.

- The hiring freeze doesn't help matters either. We requested a wavier but were denied. So for now we're stuck with the number of folks we have now.

- We have too many single function people. That is, we only have one sign maker, one glazer, one locksmith, etc..., if any one of them is sick or takes leave there is no one to fill in for them and the work piles up. The same is true for the high voltage electricians. Granted we have three of them but they are required by law to work in groups of two.

- The RIF really hurt us--our best workers were dropped down to helpers.

- Having one general foreman and three shop foreman works well.

- There was no input from the workers or information given to the workers at the beginning of the process. They feel betrayed.

d. Division Director

- CDR Alexander changed the MEO significantly, but if he had not we would have lost. The change was too lean though; we are cut to the bone. We can't function based on the standard 1744 hours of production time; it just is not accurate for an older force.

- We now have more performance rewards. Before only performance level five was rewarded, now fours get rewarded too.

- We have the flexibility of alternate work schedules. That is really nice.

- We have more civilian picnics/holiday parties/admin time than in the past.

- Spot awards have been implemented--a worker can receive $100 for exceptional work.

- There is more training than ever before. Unfortunately it is mostly white collar. Blue collar is difficult to find. Workers have been offered financial assistance to attend City College for trades courses but they don't want to do it on their own time.

- Our work force is elderly--most are retired military. We have a higher than average use of sick leave. In the past couple of years alone we have had four or five guys out for extended periods of time due to heart surgery.

e. Shop Foreman

- In a way we are still under the "old" system because neither team has the proper distribution of workers in order to sustain their portion of the station. We are constantly borrowing or loaning our people back and forth.

- E/S is working great. We have all the trades except a painter and HVAC. For the most part we don't need them though; we handle emergency and service calls for jobs under 16 hours.

- It is only a matter of time--the team concept is a moth turning into a butterfly.

f. Shop Foreman

- Jobs are not designed for the team concept.
- We don't have enough people on board to make the system work--we need more people and have for some time.
- Morale is low. The workers are not happy. They don't understand why we had to change to regional companies.
- There is a lot of wasted time because materials are not available.
- We continue to do just breakdown maintenance.
- It is difficult to control people--shops all over the place--people all over the place--supervising is difficult.
- Work backlogged for lack of material and lack of tradesman--we need two or three pipefitters.

g. Shop Foreman

- My workers are like ping pong balls. We are constantly trading workers back and forth. My people are all over the station. Difficult to supervise.
- There is a great deal of confusion, a lack of continuity and duplicated efforts.
- People's pride is shot, but not as bad as it used to be. It will get better when people retire.
- We don't get any feedback from the PWO.
- We are understaffed--hiring freeze and too much sick leave.
- Quite often my guys are pulled off a job to go do something else like pull weeds prior to the Vice President's visits. Too much RHIP (Rank Has Its Privileges) and not enough common sense.
- Trades are not distributed well.
- The good people are getting worked to death.

h. Worker

- I don't like the RHIP system. One day during a huge rain storm I was working on the leaky roof of a room with all kinds of expensive computers in it and before I was finished I was yanked off the job and sent over to the Admiral's house to sand bag his backyard so the water wouldn't flood it. I think the computers are more important than the guy's backyard.

- I don't understand how it is we have money for certain offices to be redecorated but yet we don't have the money to fix buildings that are literally falling down around the people who are working in them.

- I really like the idea of cross utilization--it gives me the opportunity to learn new skills.

i. Worker

- I was a 10 now I'm a 7 (so I don't know anything), if they want it fixed they'll have to tell me how to do it.

- If the standard says this job will take one hour to complete and it only takes me 15 minutes, I'm going to sit around for 45 minutes.

- I would like to see us go back to the old "shop" system. I don't feel comfortable doing other work.

j. Worker

- Morale stinks. We have the wrong people in the wrong jobs.

- People are working in trades they know nothing about. Someone is going to get hurt.

- Material needed to do the work is missing. We order the material we need and then Supply turns down our request.

- Can't find the team leader (foreman) when you need him.

k. Worker

- Busted people are demoralized.

- People are not working together.

- No one seems to be running anything--everyone just keeps passing the ball.

l. Planner and Estimator (P&E)

- Total failure--PWD is at a complete standstill--workers are completely out of their fields.

- Everything is being done on an emergency basis--wrong people directing work--people who should be making decisions aren't involved in the process.

- He who screams the loudest and has the biggest friends gets the work done.

- TQM good if used--must get feedback--not used. No one gets any feedback from upper management.

m. P&E

- Team concept doesn't work--putting plumbers in charge of electricians destroyed line of succession.

- Lost incentive--no pride--no professionalism--workers demoralized.

- Not the most efficient organization--don't have qualified people to do things.

n. P&E

- MEO outline was a good idea but we haven't adhered to it--too few people--too large an idea.

- One plumber--one mason--can't have two teams and one player.

- Highest priority on base is carpet--can get carpet but not steam leaks fixed--upsetting as an employee and taxpayer--priorities are wrong.

- Military micro-manage--say one thing and do another--happens hourly.

- 750 structures to take care of and everyone thinks theirs is the most important.

'UBLIC WORKS DEPARTMENT MEO COMPARISIONS

:ODE	Proposed MEO POSITION AND GRADE	COST	CODE	PW MEO POSITION AND GRADE	COST
:182	Supv. Logistics Engr. GS-801-12	$40,601	$182	Supv. Eng. Technician GS-802-12	$40,601
	Industrial Eng Tech. GS-895-9	$28,001		Industrial Eng Tech. GS-895-9	$28,001
	Facilities Maint. Clerk GS-303-4	$16,517		Data Transcriber GS-356-2	$12,910
	Clerk-Typist GS-322-04	$16,517		Clerk-Typist GS-322-04	$16,517
	Clerk-Typist GS-322-3	$14,714		Clerk-Typist GS-322-3	$14,714
	P&E (Elec.) WD-2805-8	$35,041		P&E (Elec.) WD-2805-8	$35,041
	P&E (Pipe.) WD-4204-8	$35,041		P&E (Pipe.) WD-4204-8	$35,041
	P&E (General) WD-4701-08	$35,041		P&E (General) WD-4701-08	$35,041
	Electrical Inspector WG-2805-11	$28,759		Electrical Inspector WG-2805-11	$28,759
	Pipefitter Inspector WG-4204-11	$28,759		Pipefitter Inspector WG-4204-11	$28,759
	P.W. Maintenance Inspector WG-4701-11	$28,759		P.W. Maintenance Inspector WG-4701-11	$28,759
	SUBTOTAL	$307,750		SUBTOTAL	$304,143
:185	P.W. General Foreman WS-4701-15	$44,265	$185	P.W. General Foreman WS-4701-15	$44,265
	Clerk-Typist GS-322-04	$16,517		Clerk-Typist GS-322-04	$16,517
	Production Controller GS-1152-09	$28,001		Production Controller GS-1152-09	$28,001
	Production Controller GS-1152-09	$28,001		Production Controller GS-1152-09	$28,001
	Production Controller GS-1152-09	$28,001		Production Controller GS-1152-10	$30,834
	Utilities Foreman WS-4701-11	$36,189		Maintenance Foreman WS-4701-10	$35,041
	Maintenance Foreman WS-4707-10	$35,041		Maintenance Foreman WS-4701-10	$35,041
	Electrician Foreman WS-2805-10	$35,041	delete	~~Maintenance Foreman WS-4701-10~~	$35,041
	Air Cond. Equip. Foreman WS-5306-10	$35,041		delete	~~$0~~
	Util. Sys. Repair Oper. WG-4742-11	$28,759		Elec Alarm Sys. Mech WG-2601-10	$26,901
	Electronic Mechanic WG-2605-10	$26,901		Electronic Mechanic WG-2605-10	$26,901
	Electrician WG-2805-10	$26,901		Electrician WG-2805-10	$26,901
	Electrician WG-2805-10	$26,901		Electrician WG-2805-10	$26,901
	Electrician WG-2805-10	$26,901		Electrician WG-2805-10	$26,901
	Electrician WG-2805-8/10	$26,901		Electrician WG-2805-10	$26,901
	Electrician WG-2805-8/10	$26,901		Electrician WG-2805-10	$26,901
	Electrician WG-2805-8/10	$26,901		Electrician WG-2805-10	$26,901
	Electrician WG-2805-8/10	$26,901		Electrician (EV) WG-2810-10	$26,901
	Electrician (EV) WG-2810-10	$26,901		Electrician (EV) WG-2810-10	$26,901
	Electrician (EV) WG-2810-10	$26,901		Electrician (EV) WG-2810-10	$26,901
	Machinist WG-3414-10	$26,901		Machinist WG-3414-10	$26,901
	Mason WG-3603-10	$26,901		Mason WG-3603-10	$26,901
	Welder WG-3703-8/10	$26,901		Welder WG-3703-8/10	$26,901
	Welder WG-3703-8/10	$26,901		Welder WG-3703-8/10	$26,901
	Sheetmetal Mech. WG-3806-8/10	$26,901		Sheetmetal Mech. WG-3806-8/10	$26,901
	Pipefitter WG-4204-10	$26,901		Pipefitter WG-4204-10	$26,901
	Pipefitter WG-4204-10	$26,901		Pipefitter WG-4204-10	$26,901
	A/C Equip. Mech. WG-5306-8/10	$26,901		HVAC Mech WG-5301-10	$26,901
	A/C Equip. Mech. WG-5306-8/10	$26,901		HVAC Mech WG-5301-10	$26,901
	A/C Equip. Mech. WG-5306-8/10	$26,901		HVAC Mech WG-5301-10	$26,901
	Equip. Repairer/Mech. WG 5352-8/10	$26,901		Equip. Repairer/Mech. WG 5352-8/10	$26,901
	Boiler Mech. WG-5309-10	$26,901		Roofer WG-3606-10	$26,901
	Glazier WG-3611-9	$26,108		Glazier WG-3611-9	$26,108
	Locksmith WG-3817-9	$26,108		Locksmith WG-3817-9	$26,108
	Dispatcher WG-5701-8	$25,315		Maint. Worker WG-4749-8	$25,315
	Painter WG-4102-7/9	$26,108		Painter WG-4102-7/9	$26,108
	Plumber WG-4206-9	$26,108		Plumber WG-4206-9	$26,108
	Plumber WG-4206-9	$26,108		Plumber WG-4206-9	$26,108
	Plumber WG-4206-9	$26,108		Plumber WG-4206-9	$26,108

Exhibit 2-1 (Page 1 of 3)

	Carpenter WG-4607-9	$26,108
	Maint. Mech. WG 4749-9	$26,108
	Tool Rm. Mech. WG-4801-8/9	$26,108
	Electrical Worker WG-2805-5/8	$25,315
	Electrical Worker WG-2805-5/8	$25,315
	Electrical Worker WG-2805-5/8	$25,315
	Maint. Worker WG-4749-7/8	$25,315
	Maint. Worker WG-4749-7/8	$25,315
	Maint. Worker WG-4749-7/8	$25,315
	Maint. Worker WG-4749-7/8	$25,315
	Maint. Worker WG-4749-7/8	$25,315
	Maint. Worker WG-4749-7/8	$25,315
	Maint. Worker WG-4749-7/8	$25,315
	Maint. Worker WG-4749-7/8	$25,315
	Maint. Worker WG-4749-7/8	$25,315
	Pest Controller WG-5026-5/7/9	$26,108
	Pest Controller WG-5026-5/7/9	$26,108
	Pest Controller WG-5026-5/7/9	$26,108
	A/C Equip. Mech WG-5306-5/8	$25,315
	A/C Equip. Mech WG-5306-5/8	$25,315
	A/C Equip. Mech WG-5306-5/8	$25,315
	A/C Equip. Mech WG-5306-5/8	$25,315
	Equip. Repairer WG-5352-5/8	$25,315
	Equip. Repairer WG-5352-5/8	$25,315
	Powered Suppt. Sys. Rpr. WG-5378-8	$25,315
	Swim. Pool Opr. WG-5486-8	$25,315
	Sign Painter WG-4104-7	$24,439
	Port. Equip. Opr. WG-5478-6	$23,562
	Painter Helper WG-4102-5	$22,748
	Gardner WG-5003-4	$21,413
	Gardner WG-5003-4	$21,413
	Gardner WG-5003-4	$21,413
	Laborer WG-3502-3	$19,910
	Laborer WG-3502-3	$19,910
	Laborer WG-3502-3	$19,910
	Laborer WG-3502-3	$19,910
	Laborer WG-3502-3	$19,910
	Laborer WG-3502-2	$18,386
	Laborer WG-3502-2 (.626)	$11,510
	Plumber Worker WG-4206-7	$24,439
	Maint. Worker WG-4749-5/7	$24,439
	Maint. Worker WG-4749-5/7	$24,439
	Maint. Worker WG-4749-5/7	$24,439
	Maint. Worker WG-4749-5/7	$24,439
	Equip. Rpr/Mech WG-5352-8/10	$26,901
	Plumber Wkr WG-4206-7	$24,439
	Plumber Wkr WG-4206-7	$24,439
	SUBTOTAL	$2,213,997
$186	Trans. General Foreman WS-4701-14	$42,178
	Auto. Trans. Spec. GS-2150-7/9	$28,001
	Production Controller GS-1152-7	$22,887
	Computer Operator GS-322-5	$18,481
	Accting Tech. GS-525-4	$16,517
	Auto. Equip. Dispatcher GS-2151-4	$16,517
	Clerk GS-303-3	$14,714
	Trans. Equip. Opr. Foreman WS-5701-10	$26,901
	Automotive Mech. Foreman WS-5823-10	$26,901
	Engin. Equip. Oper. Leader WL-5716-10	$26,901
	Automotive Mech. Leader WL-5823-10	$28,508

	Carpenter WG-4607-9	$26,108
	Maint. Mech. WG 4749-9	$26,108
	Tool Rm. Mech. WG-4801-8/9	$26,108
	Electrical Worker WG-2805-5/8	$25,315
	Electrical Worker WG-2805-5/8	$25,315
	Electrical Worker WG-2805-5/8	$25,315
	Maint. Worker WG-4749-8	$25,315
	Maint. Worker WG-4749-8	$25,315
	Maint. Worker WG-4749-8	$25,315
	Maint. Worker WG-4749-8	$25,315
	Maint. Worker WG-4749-8	$25,315
	Maint. Worker WG-4749-8	$25,315
	Maint. Worker WG-4749-8	$25,315
	Maint. Worker WG-4749-8	$25,315
	Maint. Worker WG-4749-8	$25,315
	Pest Controller WG-5026-5/7/9	$26,108
	Pest Controller WG-5026-5/7/9	$26,108
	Pest Controller WG-5026-5/7/9	$26,108
	HVAC Worker WG-5301-8	$25,315
	HVAC Worker WG-5301-8	$25,315
	HVAC Worker WG-5301-8	$25,315
	HVAC Worker WG-5301-8	$25,315
	Equip. Repairer WG-5352-8	$25,315
	Equip. Repairer WG-5352-8	$25,315
	Power Systems Mech WG-5378-10	$26,901
	Swim. Pool Opr. WG-5486-8	$25,315
	Sign Painter WG-4104-7	$24,439
	Port. Equip. Opr. WG-5478-6	$23,562
	Painter Helper WG-4102-5	$22,748
	Gardner WG-5003-4	$21,413
	Gardner WG-5003-4	$21,413
	Gardner WG-5003-4	$21,413
	Laborer WG-3502-3	$19,910
	Laborer WG-3502-3	$19,910
	Laborer WG-3502-3	$19,910
	Laborer WG-3502-3	$19,910
	Laborer WG-3502-3	$19,910
	Laborer WG-3502-2	$18,386
	delete	$0
	Plumber Worker WG-4206-7	$24,439
	Maint. Worker WG-4749-7	$24,439
	Maint. Worker WG-4749-7	$24,439
	Maint. Worker WG-4749-7	$24,439
	Maint. Worker WG-4749-7	$24,439
	Equip. Rpr./Mech WG-5352-8/10	$26,901
	Plumber Worker WG-4206-7	$24,439
	Plumber Worker WG-4206-7	$24,439
	SUBTOTAL	$2,168,859
$186	Trans. General Foreman WS-4701-14	$42,178
	Auto. Trans. Spec. GS-2150-7/9	$28,001
	Production Controller GS-1152-7	$22,887
	Computer Operator GS-322-5	$18,481
	Accting Tech. GS-525-4	$16,517
	Auto. Equip. Dispatcher GS-2151-4	$16,517
	Clerk GS-303-3	$14,714
	Trans. Equip. Opr. Foreman WS-5701-10	$26,901
	Automotive Mech. Foreman WS-5823-10	$26,901
	Engin. Equip. Oper. Leader WL-5716-10	$26,901
	Automotive Mech. Leader WG-5823-10	$28,508

Exhibit 2-1 (Page 2 of 3)

	MVO Leader WL-5803-8	$26,797
	MVO Leader (INSTR) WL-5803-7	$26,839
	Auto Repair Insp WG-5823-11	$27,757
	Mobile Equip. Metal Mech WG-3809-10	$26,901
	Rigger WG-5210-10	$26,901
	Engr. Equip. Opr. WG-5716-10	$26,901
	Engr. Equip. Opr. WG-5716-10	$26,901
	Engr. Equip. Opr. WG-5716-10	$26,901
	Heavy Mobile Equip. Mech. WG-5803-8/10	$26,901
	Heavy Mobile Equip. Mech. WG-5803-8/10	$26,901
	Heavy Mobile Equip. Mech. WG-5803-8/10	$26,901
	Auto Mechanic WG-5823-8/10	$26,901
	Auto Mechanic WG-5823-8/10	$26,901
	Auto Mechanic WG-5823-8/10	$26,901
	Auto Mechanic WG-5823-8/10	$26,901
	Auto Mechanic WG-5823-8/10	$26,901
	Auto Mechanic WG-5823-8/10	$26,901
	MVO WG-5703-8	$25,315
	MVO WG-5703-8	$25,315
	MVO WG-5703-8	$25,315
	Auto Worker WG-5823-5/8	$25,315
	Auto Worker WG-5823-5/8	$25,315
	MVO WG-5707-7	$24,439
	MVO WG-5707-7	$24,439
	MVO WG-5707-7	$24,439
	Airfield Clear Equip Opr WG 5767-7	$24,439
	Airfield Clear Equip Opr WG 5767-7	$24,439
	Airfield Clear Equip Opr WG 5767-7	$24,439
	Airfield Clear Equip Opr WG 5767-7	$24,439
	Airfield Clear Equip Opr WG 5767-7	$24,439
	Tire Rpr. Heavy WG-4504-6	$23,562
	MVO WG-5703-6	$23,562
	Tool & Parts Attnd WG-6904-5/6	$23,562
	MVO WG-5703-5	$22,748
	Mobile Equip Serv WG-5806-3	$19,910
	SUBTOTAL	$1,161,944
$187	Hazardous Waste Handler WG-6501-7	$24,439
	Hazardous Waste Handler WG-6501-6	$23,562
	SUBTOTAL	$48,001
	GRAND TOTAL	$3,731,692
	VARIANCE	$35,280

	MVO Leader WL-5803-8	$26,797
	MVO Leader (INSTR) WL-5703-7	$26,839
	Auto Repair Insp WG-5823-11	$27,757
	Mobile Equip. Metal Mech WG-3809-10	$26,901
	Rigger WG-5210-10	$26,901
	Engr. Equip. Opr. WG-5716-10	$26,901
	Engr. Equip. Opr. WG-5716-10	$26,901
	Engr. Equip. Opr. WG-5716-10	$26,901
	Heavy Mobile Equip. Mech. WG-5803-8/10	$26,901
	Heavy Mobile Equip. Mech. WG-5803-8/10	$26,901
	Heavy Mobile Equip. Mech. WG-5803-8/10	$26,901
	Auto Mechanic WG-5823-8/10	$26,901
	Auto Mechanic WG-5823-8/10	$26,901
	Auto Mechanic WG-5823-8/10	$26,901
	Auto Mechanic WG-5823-8/10	$26,901
	Auto Mechanic WG-5823-8/10	$26,901
	Auto Mechanic WG-5823-6/8/10	$26,901
	MVO WG-5703-8	$25,315
	MVO WG-5703-8	$25,315
	MVO WG-5703-8	$25,315
	Auto Worker WG-5823-5/8	$25,315
	Auto Worker WG-5823-5/8	$25,315
	MVO WG-5707-7	$24,439
	MVO WG-5707-7	$24,439
	MVO WG-5707-7	$24,439
	Airfield Clear Equip Opr WG 5767-7	$24,439
	Airfield Clear Equip Opr WG 5767-7	$24,439
	Airfield Clear Equip Opr WG 5767-7	$24,439
	Airfield Clear Equip Opr WG 5767-7	$24,439
	Airfield Clear Equip Opr WG 5767-7	$24,439
	Tire Rpr. Heavy WG-5801-6	$23,562
	MVO WG-5703-6	$23,562
	Tool & Parts Attnd WG-6904-5/6	$23,562
	MVO WG-5703-5	$22,748
	Mobile Equip Serv WG-5806-3	$19,910
	SUBTOTAL	$1,161,944
$187	Hazardous Waste Handler WG-6501-7	$24,439
	Hazardous Waste Handler WG-6501-6	$23,562
	SUBTOTAL	$48,001
	GRAND TOTAL	$3,682,947
	Leader's Differential (5)	$13,465
	TOTAL	$3,696,412

Exhibit 2-1 (Page 3 of 3)

DEPARTMENT OF THE NAVY
OFFICE OF THE CHIEF OF NAVAL OPERATIONS
WASHINGTON, DC 20350-2000

IN REPLY REFER TO

4860
Ser 443C1/0U601269
3 August 1990

From: Chief of Naval Operations
To: Commanding Officer, Naval Air Station, [redacted]

Subj: COMMERCIAL ACTIVITIES (CA) PROGRAM COST STUDY NUMBER [redacted] OF Z992 AT NAVAL AIR STATION [redacted]

Ref: (a) NAS [redacted] 2519132 Jul 90
(b) NAS [redacted] 1121062 May 90
(c) OPNAVINST 4860.7B

1. Continued in-house performance of the subject function is authorized as a result of the cost comparison data reflected in references (a) and (b). Reference (c) requires that CNO (OP-443) be provided a written explanation if:

a. implementation of the Most Efficient Organization (MEO) does not begin within 30 days from the date of this letter; and/or

b. after 90 days, it appears the MEO will not be fully implemented within 180 days from the date of this letter.

2. Please feel free to contact CNO (OP-443) if you have any questions regarding this reporting requirement. The CNO point of contact is [redacted], who can be reached at Autovon [redacted] or Commercial [redacted].

[redacted]

By direction

Copy to:
CINCPACFLT
COMNAVAIRPAC
COMFITAEWWINGPAC
SOUTHWESTNAVFACENGCOM
NAVAUDSVCWEST
WESTNAVFACENGCOM

Exhibit 2-2

PWD NAS Kensington
Organization and Staffing
[CDR Alexander's Proposed MEO]

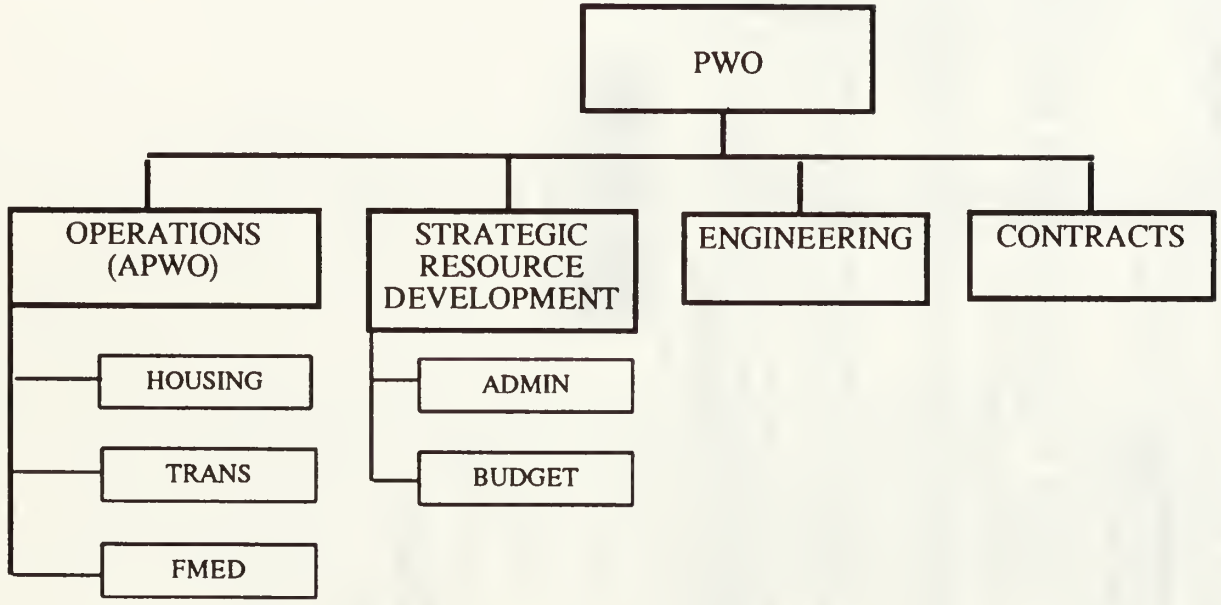

Exhibit 2-3 (Page 1 of 3)

FACILITIES MAINTENANCE (FMED)

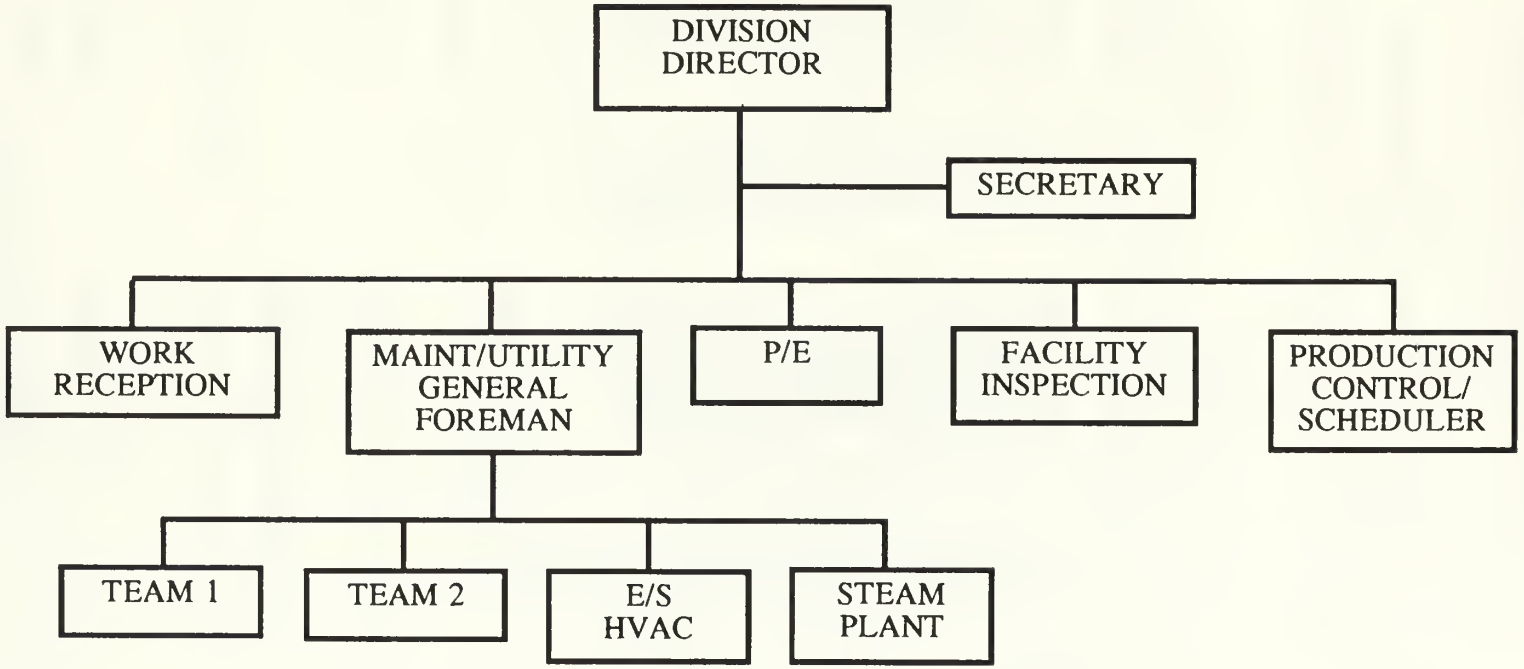

Exhibit 2-3 (Page 2 of 3)

MAINTENANCE UTILITIES DIVISION

1	PW General Foreman	WS-15
1	Production Controller	GS-09
1	Clerk Typist	GS-04

TEAM 1

1	Maint Foreman	WS-10
1	Prod Controller	GS-09
2	Electricians	WG-10
2	Elect (High Volt)	WG-10
1	Machinist	WG-10
2	Laborers	WG-03
1	Mason	WG-10
1	Roofer	WG-10
1	St Metal Mech	WG-8/10
1	Painter Hlpr	WG-05
1	Pipefitter	WG-8/10
1	Carpenter	WG-09
1	Maint Mech	WG-09
2	Maint Wrkr	WG-08
1	Toolroom Mech	WG-8/10
1	Gardener	WG-04
2	Pest Controller	WG-7/9
1	Equip Mech	WG-8/10
2	Equip Repairer	WG-08
1	Power Support Ssyt Mech	WG-10
1	Swim Pool Oper	WG-08

TEAM 2

1	Maint Foreman	WG-10
1	Prod Controller	GS-09
2	Electrician	WG-10
1	Elect (Runway)	WG-10
1	Elect Wrkr	WG-5/8
1	Elect (High Volt)	WG-10
3	Laborer	WG-03
1	Painter	WG-7/9
1	Pipefitter	WG-8/10
2	Plumber	WG-09
2	Plumber wrkr	WG-07
5	Maint Wrkr	WG-08
2	Miant Wrkr	WG-07
2	Gardener	WG-04
1	Pest Controller	WG-5/7/9
1	Equip Mech	WG-8/10
1	Portable Equip Operator	WG-06

EMERGENCY/ SERVICES

1	Maint Foreman	WG-10
1	Elect Alarm Sys Mech	WG-10
1	Electronics Mech	WG-10
1	Electrician	WG-10
2	Elec Wrkr	WG-5/8
1	Laborer	WG-02
1	Glazer	WG-09
2	Welder	WG-8/10
1	Locksmith	WG-09
1	Sign Painter	WG-07
1	Plumber	WG-09
1	Plumber Wrkr	WG-07
2	Maint Wrkr	WG-08
2	Maint Wrkr	WG-07
3	HVAC Mech	WG-10
4	HVAC Wrkr	WG-10

Exhibit 2-3 (Page 3 of 3)

MEO TRANSITION PLAN

NLT DATES	RESPONSIBILITY	ACTION
07-01-90	180/190/300	Propose changes to PWS; submit to 000 via 100B
07-15-90	180/190/300	Propose changes to certified MEO; sumbit to 000
		Civ-Sub Functional Areas
08-01-90	120/190/300	- Establish/classify positions
08-01-90	100/110/300	- Identify affected military/monitor military PCS
02-28-90	110	- Reassign military
Continuous	00E/300	- Identify safety issues
Continuous	300	- Identify other functional support
08-27-90	120	SF-171 update notices to all employees
08-31-90	180/190	Establish/classify MEO position descriptions
09-01-90	000	Certify and publish final MEO
09-01-90	100C	Release waiver request meesage
09-15-90	180/190/300	Submit SF-52s/List of positions to be abolished
09-22-90	100B/100C	Reconcile SF-52s/List vs MEO & submit to board
09-22-90	120	Request retention register
09-23-90	120	Conduct RIF--Determine employee entitlements
11-17-90	120	Notify Union
11-27-90	120	Issue RIF notices
11-27-90	120	Initiate MEO recruitments
11-28-90 to 01-27-91	120	Adjusting/modifying RIF actions
11-28-90 to 01-27-91	120	Counsel affected employees on entitlements, retirement, etc.
11-28-90 to 01-27-91	120	Register affected employees into appropriate priority placement programs.
12-01-90 to 01-27-91	120/180/190/300	Cross-training of affected employees
01-27-91	120	Fill MEO positions
03-27-91	100B	Establish baseline for audit of MEO expenditures
Continuous	120/100B	Assess progress of MEO transition plan

Exhibit 2-4

Disk #10
CCFF

COST COMPARISON FORM - REVISION 2 *
IN-HOUSE VS. CONTRACT PERFORMANCE

AGENCY: U.S. NAVY

LOCATION: NAVAL AIR STATION [redacted]

FUNCTION: BASE OPERATION SUPPORT (MULTI-FUNCTIONED)

NO			PERFORMANCE PERIODS 1ST	2ND	3RD	4TH	5TH	TOTAL	** REF (REV 2)
	IN-HOUSE PERFORMANCE COSTS								
1	PERSONNEL COST		8245778	8382041	8414343	8445232	8474467	41961861	PC
2	MATERIAL & SUPPLY COST		1869570	1941491	2009449	2072397	2133511	10026418	MC (REV 2-1
3	OTHER SPECIFICALLY ATTRIBUTABLE COSTS		391245	407055	443541	469222	493721	2204784	OSAC
4	OVERHEAD COSTS		415491	431542	447861	463456	478204	2236554	OVHD
5	ADDITIONAL COSTS		0	0	0	0	0	0	
6	TOTAL IN-HOUSE COSTS		10922084	11162129	11315194	11450307	11579903	56429617	
	CONTRACT PERFORMANCE COSTS	PRE-CON							
7	CONTRACT PRICE		10,973,240	10,082,69	9,907,690	10,047,161	9,758,970	50,769,680	
8	CONTRACT ADMINISTRATION	48940	602653	662141	687127	710994	733559	3445414	PCCON
9	ADDITIONAL COSTS		16634	17140	17627	18089	18530	88020	ACSUM
10	ONE - TIME CONVERSION COSTS		205492	205492	205492	205492	205492	1027460	OTSUM
11	GAIN OR LOSS ON DISPOSAL/TRANSFER OF ASSETS		0	0	0	0	0	0	
12	FEDERAL INCOME TAX (DEDUCT)							<406,157>	
13	TOTAL CONTRACT COSTS							54,924,417	

* REVISION 2 REFLECTS THE LATEST INFLATION INDICES ISSUED BY CNO (CNO MESSAGE R 021318Z MAR 90).
** REF COL INDICATES REV 2 OF THE RESPECTIVE WORKING PAPERS.

CCFF (Page 1 of 3)

Exhibit 2-5 (Page 1 of 3)

DECISION		TOTAL	** REF (REV 2)
14	CONVERSION DIFFERENTIAL	4418597	CONV DIFF
15	TOTAL (LINE 13 AND 14)	59,343,014	
16	COST COMPARISON (LINE 15 MINUS LINE 6)	2,913,397	

DO THE COST COMPARISON CALCULATION ONLY FOR THE TOTAL COLUMN.
POSITIVE RESULTS ON LINE 16 SUPPORTS DECISION TO ACCOMPLISH IN-HOUSE.

17 COST COMPARISON DECISION (CHECK BLOCK) (X) ACCOMPLISH IN-HOUSE ( ) ACCOMPLISH BY CONTRACT

In-House Performance cost Prepared by:

[redacted] Financial Systems Analyst [redacted] 4/12/90

(Name and Title) (Signature) (Date)

In-House Performance cost Reviewed by:

[redacted] Deputy Comptroller [redacted] 4/12/90

(Name and Title) (Signature) (Date)

MEO CERTIFICATION

I certify, in compliance with Section 502 of Public Law 96-342, that the total in-house performance cost is based on an estimate of the most efficient and cost effective organization for performance of the fuction.

[redacted] Commanding Officer Signature on File

(Name and Title) (Signature) (Date)

CCFF (Pag 2 of 3)

Exhibit 2-5 (Page 2 of 3)

AVAUDSVC STATEMENT (PRE-BID OPENING AUDIT REVEIW)

e have reviewed the attached cost comparison and substantiate the currentness, reasonableness and ompleteness of the data entries made prior to bid opening (lines 1-6, 8-11 and 14). We further ubstantiate that those entries are based upon the PWS contained in solicitation N68711-86-R-0962 ated 26, Sept 1988 including amendments 0015 of 8 Feb 1990 and are in compliance with OMB Circular -76 (revised), the related Cost Comparison Handbook, and other applicable guidance. The certified n-house estimate is $_____ for all periods, and cumulative contract costs (lines 8-11 and 4) substantiated prior to bid opening are $_____.

udit Certification Executed by:

(Name and Title)	(Signature)	(Date)

OST COMPARISON DECISION

ost Comparison Accomplished by:

[redacted] Financial Systems Analyst	[redacted]	5/11/90
(Name and Title)	(Signature)	(Date)
[redacted] Management Analysis Officer	[redacted]	5/11/90
(Name and Title)	(Signature)	(Date)

ost Comparison Reviewed by:

[redacted] Contracting Officer	[redacted]	5/11/90
(Name and Title)	(Signature)	(Date)

ost Comparison Decision Approved by:

[redacted] Commanding Officer	[redacted]	5/11/90
(Name and Title)	(Signature)	(Date)

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Exhibit 2-5 (Page 3 of 3)

D. CASE NUMBER THREE--OSD IN CHARGE

1. Introduction--A Change of Players

"CDR Knight, welcome." CDR Alexander greeted his relief. "I'm glad we are able to at least have a day or two turnover. I trust you used this morning to meet some of the staff and to get to know the "lay of the land." This afternoon I would like to discuss with you some of the more recent changes that have taken place in PWD Kensington, and to give you a "heads up" on things waiting for you in the wings."

After relaying to CDR Knight the events of the past three years, the conversation turned to the immediate future.

2. To Be Or Not To Be...Consolidated

In this day and age of reductions, the military is being asked to do more with less (less personnel, equipment, and dollars). And, as appears to be the case more and more, OSD has determined that they are the best ones to decide just how it is the various military organizations are to respond. This is particularly true for Navy Public Works departments (and for the respective Air Force, Army and DLA base engineering services). OSD's findings and recommendations are recorded in the Defense Management Report Decision (DMRD) of Dec 1990 (Exhibit 3-1).

For the Public Works Department on board NAS Kensington, this will mean consolidation with Public Works Center Edgewater some 30 miles away (i.e., PWD Kensington will

no longer exist). The Public Works Center operates similar to a NIF function in that it provides its services on a reimbursable basis.

PWD Kensington received notification of the DMRD and a preliminary implementation plan in late May 1991, only four months after the CNO approved MEO (Exhibit 3-2).

PWD Kensington, in an effort to contribute to the "best business decision" suggested by PWC Edgewater, prepared a cost comparison of PWD and PWC costs (Exhibit 3-3).

According to the budget analyst's cost comparison which is comprised of best estimates and actual PWC costs, NAS Kensington will spend more out of pocket to provide the same services as PWD.

It should be noted, though, that there is a potential for cost savings particularly in the area of utilities and transportation, however, it is difficult to quantify. For example, under the current PWD system the replacement of defective steam lines would require the use of special project money (i.e., over and above that which is in the budget); under the PWC system there would be no additional outlay as this is already factored into the rates charged. A similar situation exists when a vehicle or piece of heavy equipment needs to be replaced.

3. The Challenge

"So as you can see, CDR Knight, uncertain times lie ahead. You are in a position where you must decide whether to fight consolidation or not, what to do about the department's low morale and under-staffing, and how to implement/manage a change in such chaotic times. I wish you well sir." With that CDR Alexander turned over the reins.

NO. 967

DEFENSE MANAGEMENT REPORT DECISION

SUBJECT: Base Engineering Services

DOD COMPONENTS: Army, Navy, Air Force, DLA

ISSUE: Can cost reductions and improved efficiencies be achieved through consolidations of base engineering services, reductions of excess personnel, economies of scale, improved utilization of military manpower, and reorientation of the base engineering financial and management programs to establish a business management approach to real property maintenance?

	(TOA, Dollars in Millions)		
	FY 1991	FY 1992	FY 1993
Service Estimate	5,664	5,896	6,079
Alternative Estimate	-	-50	-104

SUMMARY OF EVALUATION: The evaluation was based on an extensive fact-finding effort and field visits to a cross-section of major military installations of each of the Services. OSD and Service military and civilian experts at all levels participated in the review. The evaluation addresses five major areas which are: (1) Consolidation of Base Engineering Services; savings will be achieved by reduction of duplicative management and support structures, economies of scale in material purchases and contracting, and more efficient utilization of major equipment, maintenance shops, and specialized personnel; (2) Establish Public Works Centers; through establishment of industrial funded public works centers serving all installations within the geographic area of each center, efficiencies in program management, planning, and budgeting will occur; (3) Application of Economic Analysis Techniques; application of commonly accepted economic analysis techniques will help to ensure that prudent and economic capital investments are made; (4) Improve Installation Master Planning; policy direction will help ensure individual installations have incorporated both downsizing plans and procedures to ensure that old, inefficient structures that are a burden on maintenance accounts are eliminated; and (5) The Air Force alternative approved by the Secretary for Base Engineering Services.

ALTERNATIVE ESTIMATE: Approve this alternative for programmatic, organizational, and policy changes which will improve base engineering services and real property maintenance. The savings from this alternative are $50 million in FY 1992 and an estimated $602 million in cost avoidance over the six-year Defense Program.

DECISION THE COMPTROLLER APPROVED THE ALTERNATIVE ESTIMATE. Date DEC 30 1990

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DETAIL OF EVALUATION:

BACKGROUND: The DoD infrastructure has an estimated plant replacement value of over $600 billion. The primary planning, management, and maintenance support for this infrastructure occurs at the installation level and is performed by the Director of Engineering and Housing organizations in the Army, Public Works Centers (PWC's) or Public Works Departments in the Navy, or Civil Engineering Support Squadrons in the Air Force. This base civil engineering function provides a range of services for the host installation and all tenants including: providing utilities, either in-house or contracted engineering services (such as custodial, snow removal, grounds maintenance, refuse removal), a mixture of contract and in-house services for all maintenance, repair, and minor construction for all buildings, structures, family housing, and other facilities, operation of in-house utility plants, and installation master planning and environmental support services. These programs are funded at approximately $5.7 billion annually (excluding military pay), and are executed by over 65,000 personnel.

The installation engineering activity does the initial development of proposed military construction projects, consistent with the installation master plan, then after funding is obtained, passes these projects to regional Corps Of Engineers or Naval Facilities Engineering Command offices who execute the projects.

The challenges facing base engineering service organizations are extensive. They stem from the rapidly aging infrastructure which to a large extent was developed in the World War II and Korean War periods and have been compounded by constrained budgets over the past 15 years. In addition, the emphasis in recent years on environmental concerns has generated large expenses and clean-up operations that are further tasking manpower and financial resources. With the budget and force structure reductions programmed for the coming years it will be necessary to pursue innovative solutions to these problems and take appropriate actions to develop a business management orientation that will ensure the most cost-effective and efficient programs possible.

There are significant policy and programmatic differences between the Services and Defense Agencies in terms of the level of resources dedicated to these programs, the mixture of contract versus in-house operations, the use of military manpower, and the methods of financing and budgeting. Differences also exist as to whether the "owner" of the real property is line organizations and tenant commands or the civil engineering organization. Within the Army the Director of Engineering and Housing reports to the commander of the installation who is the landlord of the base. In the Navy, the Public Works Center does not work for a particular

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base commander; rather, the PWC Commander reports to the senior flag officer in the area who has overall administrative responsibility for the naval activities in a region. PWC Commanders directly own the buildings and facilities they occupy and the common utility infrastructure that serves all the bases and tenants. At major naval bases such as Norfolk and Pearl Harbor, each tenant command owns the facilities they occupy. The Air Force is similar to the Army in that each base has a wing commander who owns the base. The Civil Engineer, who is a support squadron commander, reports to the Wing.

As a part of the DMR study special attention was paid to the perception of customers as to responsiveness and the quality of service provided by each Service program. This effort identified several common problems and also several key factors that impact on any successful consolidation. Commanders feel they need to directly control their base engineering programs so that they may direct the amount of resources applied and the priorities of accomplishment. Commanders want responsive service and often feel projects take too long to program and accomplish. Commanders, as expected, tend to focus on operational requirements and quality-of-life projects that most directly impact unit effectiveness and morale. Within the Army and Air Force this forces the Civil Engineer to compete and lobby for the resources needed to maintain both general facilities and the infrastructure (utilities and roads), which are vital to an installation but are often taken for granted by senior operational officers and tenant commanders. In the Air Force this problem is reduced somewhat because of the overall Air Force policy that emphasizes facilities and the generally higher levels of manpower and funding the Air Force provides. However, in the Army this translates to very minimal funding support. This is evidenced by the fact that since FY 1986 the Army has reprogrammed large amounts of dollars appropriated for RPM into other operations accounts. For the most part this problem has been solved in the Navy. Navy support for the infrastructure is paid for by surcharges built directly into the industrial fund rates the PWC charges customers. Also, major Navy tenant commands own their facilities and purchase the services they need. This combination of ownership, and control of priorities and resources stimulates better real property management and greater understanding in the Navy. The Navy appears to have reached the proper balance of line control over the PWC activities as well. When PWC's were originally formed they were independent of local control and reported to regional Naval Facilities Engineering Command offices. This system did not work effectively, and the Navy changed it some years ago. With PWC's now reporting to local senior operational flag officers, Navy commanders now are pleased with their responsiveness. In response to questions from the DMR Team at major naval bases, shipyard commanders and other major tenants rated PWC's highly. They acknowledged that they would

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rather have their own public works departments, but that such a structure would be wasteful. In fact, the Navy reports that where they have consolidated functions they have achieved an average cost avoidance of 5% annually. It appears that establishing a business management approach to RPM and engineering services both saves money and improves overall program effectiveness.

In making facility investment decisions it appears that the constrained resourcing climate has led managers toward funding requirements based on what type of money or resource is available, not whether the investment is economically sound. Examples include use of military manpower, due to its availability, in lieu of contractor support, or making uneconomical repairs and renovations to facilities because of the perception that RPM money is more readily available than military construction funds.

From a functional perspective all Service base engineering operations are very similar in their fundamental management and work processes. Each is organized into generally similar functional divisions that are dedicated to: family housing maintenance, engineering support, environmental services, supply and contracting, service or trouble call sections, sections which perform major projects, and support or command staffs. Each Service has programs with mixtures of preventive and cyclic maintenance, major repair projects, and facility review boards of some kind that advise commanders on the allocation of budget resources. Each Service program includes annual or biannual facility condition inspections or surveys, and each develops annual and multiyear work programs. All the programs use management indicators which are consistent such as time goals for accomplishment of trouble calls, project, labor, and material cost standards, and utility performance indicators such as the number of outages per month. Increasing consolidation apparently would not necessitate changing basic work processes, management control techniques, or standards.

Although the similarities are great, the DMR study revealed that in numerous areas programs developed by one Service could be adopted DoD-wide and generate significant cost savings.

Further, more uniform policies on investment decision processes and real property management are necessary. In response to internal studies and congressional requests, DoD has implemented new methods of assessing facilities investments. These include comparisons of funding to plant replacement value (PRV), reviewing facility investments from a capital budget perspective, and assessing new construction in conjunction with major repair to obtain a complete picture of capital investments.

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Alternative

Consolidation of Base Engineering Services: Throughout the United States there are numerous locations where military installations are in close proximity to each other, and in some instances share a common border. In these cases each installation maintains a separate base engineering program, maintenance programs, major equipment pool, specialized work crews, maintenance support production shops, and other services. Savings and increased efficiencies are possible through consolidation of these programs and by reorientation of these programs toward a business-management basis for operations. Such consolidation will eliminate duplicative management and support staffs and allow for economies of scale in both procurement of supplies and in contracting for services. Other areas where economies will be achieved include design services, master planning, laboratory services, hazardous waste and asbestos removal and disposal, heavy equipment pool sharing, maintenance of equipment and vehicles, and other areas. By sharing resources highly trained personnel and specialized work crews can be more efficiently utilized. Evidence has shown that in dealing with regional utility companies, single multi-installation reduced rates can be negotiated, peak load shaving programs are more effective, and cooperative agreements on environmental issues are expedited.

Potential consolidations are limited by geographic factors and program scale factors. The Navy experience is that to be successful a PWC serves all commands located within approximately a one and one-half hour drive of the Center. Secondly, that the cumulative dollar value of the programs supported should be a minimum of approximately $60.0 million annually. There are a number of locations where such a consolidation appears warranted both on an Intra-Service basis, and on an Inter-Service basis.

Any proposal for consolidation of functions generates deep concerns within the Services due to their respective chains of command and inherent competition for funding resources. However, in assessing consolidation of engineering services and real property maintenance activities, opinions vary. The Navy agrees that consolidation is cost-effective and efficient. The Army, which has adopted a lead activity concept is some areas considers consolidation of base engineering feasible, and suggested two areas for OSD study. The Air Force and DLA are strongly opposed to any consolidation.

Although the Navy has demonstrated success with over a dozen major Public Works Centers, the Air Force cites the San Antonio Real Property Maintenance Agency (SARPMA) as an example of a failed consolidation. In SARPMA the engineering programs of five major installations (four Air Force and one Army), were combined in 1977. The organization was terminated approximately ten years later,

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based on its perceived inefficiencies. Although numerous studies on SARPMA have been conducted, clear conclusions as to why it did not achieve its objectives are hard to identify. The Air Force contends that the lack of command and control that individual installation commanders lost through SARPMA was too high a price to pay. They further contend that it did not save money and was an unresponsive buresucracy. The DMR Team reviewed the history of SARPMA and discovered several basic facts. First, comparisons of savings are not possible due to the dramatic differences in program funding, environmental issues, hiring freezes, and other factors that impacted DoD during the ten-year period SARPMA existed. Second, the original concepts of organization, supply, personnel, procurement support, automated data processing (ADP) support, and the client base SARPMA was to serve never materialized. In fact, many of the fundamental concepts necessary to success were never implemented. In addition, the detailed studies of SARPMA describe such a range of fundamental management problems and mistakes that to blame its failure on consolidation alone is unwarranted. Examples include: severe understaffing for years at a time; the external activity providing procurement and accounting support to SARPMA did not pay the bills for so long a period that vendors began to refuse to deal with SARPMA; the restrictions placed on SARPMA to exercise fundamental industrial fund controls such as matching onboard staffing to work load; and an ADP system that was not capable of processing the volume of data required.

In comparing SARPMA with the many other examples of successful consolidation, it appears prudent to learn from these mistakes but now to focus on the potential for future savings and efficiencies, rather than to dwell on past errors. Recommendations for consolidation are described below.

The alternative recommends the Public Works Center concept for adoption DoD-wide to both achieve the economies resulting from consolidation and the efficiencies inherent in this type of organization. To ensure effective and cost-efficient operations the alternative would also provide that all consolidations be based on the following principles:

- Public Works Centers should be established in all Services on primarily an Intra-Service geographic basis. However, in those geographic locations where one Service establishes a PWC and is clearly the predominate DoD component, and no other Service has sufficient work load to warrant a PWC, negotiated Inter-Service Support Agreements should be established where the PWC provides support to all DoD installations in the region, as appropriate for local circumstances. In most instances this will result in Intra-Service centers serving only activities within their own Service for facility maintenance and major repair projects,

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design services for projects, small project contracting support, specialized skills or equipment requirements, annual program support for vehicle maintenance, utility operation, trouble call service, shop support, custodial, refuse, and other ground maintenance type contracts. When Inter-Service Support Agreements are established for some or all of the functions listed above, they should be for two-year periods to increase stability and minimize cost. In several areas the size of the programs and location of forces would support two or more centers, each managed by a different Service. Where this is possible each center should be established.

- Intra-Service Centers should be established serving all activities within a maximum one and one-half to two-hour driving distance. Beyond that distance the travel time and transportation expenses make centers inefficient. In addition, centers should not be established where the total local program is less than $50.0 million annually.

- All centers should be either industrially funded or operate on a reimbursable unit cost basis. This will place the operations on a business management basis where full costing and control of indirect expenses is inherent in operations.

- All centers should utilize published stabilized labor, job, and product rates so that customers may effectively program and budget for requirements.

- Centers should own the buildings they occupy and the common utility and roads infrastructure they manage. Support for these items will be generated by published surcharges built into their product and labor cost structure. All other facilities should remain under the ownership and control of installation commanders and/or base tenant commanders, who will retain control of funding and execution priorities for their facilities.

- Public Works Centers should be placed in the Service chains of command in such a manner as to ensure responsiveness to line managers and operational command needs. The Navy model may serve as an initial example, but each Service must design and implement these relationships according to their respective requirements.

- Each PWC should establish formal face-to-face customer communication mechanisms, to include publishing annual corporate plans, and hosting as a minimum annual commanders' briefings, where direct exchanges with clients on new requirements, technology, and problem resolution can be conducted.

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- Service Public Works Centers should provide customers with on-line ADP communications that will allow customers visibility for the status of their work, detailed cost reporting, and timely management reports. In this regard the Air Force ADP model could serve as a prototype unless more effective systems are developed by the Services.

- To ensure responsive and quality work, PWC's will provide quality warranties on work, allow customer sign-off and acceptance on projects, and provide firm, fixed-price support using the published rates wherever possible. For those projects where the scope of work is not clearly defined, negotiated cost reimbursable arrangements based on published rates should be used.

- Each center will have full authority to match work load with staffing, without the restrictions of annual manpower ceiling constraints, to include the direct personnel management support required to operate on a manage-to-payroll basis. Each center should have authority to capitalize and depreciate in their operating budgets investments for major equipment, ADP, vehicles, and internal center-owned major repairs of real property.

- Each center will be provided with procurement warrants for purchasing supplies up to $25,000 per line item. This will allow centers to maintain inventories of construction materials and other supplies needed for the in-house accomplishment of repair and maintenance projects. Currently, most Army and Air Force civil engineer units do not have this authority which results in work delays and inefficiencies.

- Each center will be provided with contracting authority (either in-house or dedicated) to contract for small projects on a job order requirements basis such as the Army JOC program and Air Force SABER program. In addition, centers should have the contracting capability to award major repair contracts up to $1.0 million, O&M minor construction contracts up to $200,000, and minor military construction contracts up to $1.0 million. This will improve timeliness of work, provide efficiencies, and enhance the ability of civil engineers to make judgments on whether to perform required work in-house or on contract based on center capability and cost-effectiveness. USD(A) and Service acquisition chiefs will need to implement appropriate policies to ensure contracting safeguards are adhered to, and personnel involved receive the required training.

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- Each center should own, operate, and manage the major transportation fleet that services their assigned region. To include maintenance and capital budget investment control. centers should operate lease and short-term rental programs for all customers. The Services should explore establishment of programs to operate and manage rental fleets on the same basis as major private sector firms in order to maximize savings to DoD.

- Customer installations should retain the minimal in-house engineering capability sufficient to advise commanders, conduct planning, programming, and budgeting, advise commanders on setting priorities, conduct liaison functions with centers, and to manage self-help programs.

The alternative recommends that the following centers be established effective as listed below:

	FY 1992	FY 1993
ARMY:		
	Fort Irwin, CA	Fort Hood, TX
	Fort Benning, GA	Fort Stewart, GA
	Fort Jackson, SC	Fort Huachuca, AZ
	Schofield Barracks, HI	Fort Polk, LA
	Fort Benjamin Harrison, IN	Fort Campbell, KY
	Fort Lewis, WA	Fort Knox, KY
	Fort Bliss, TX	Fort Bragg, NC
	Fort Sill, OK	Fort Carson, CO
	Army MDW, Northern VA	
NAVY:		
	PWC, Norfolk, VA (expansion)	PWC Charleston, SC
	Pensacola, FL (expansion)	PWC Guam (expansion)
	PWC, San Diego, CA (expansion)	PWC, Jacksonville, FL
	PWC, San Francisco, CA (expansion)	Washington DC, Navy Yard
	Great Lakes, IL (expansion)	NS New York, NY (FY 1994)
	PWC, Pearl Harbor, HI (expansion)	Long Beach, CA (FY 1994)
AIR FORCE:		
	Kelly AFB, TX	Peterson AFB, CO
	Luke AFB, AZ	Lowry AFB, CO
	Eglin AFB, FL	Little Rock AFB, AR
	Maxwell AFB, AL	Offutt AFB, NE
	Wright-Patterson AFB, OH	Nellis AFB, NV
	Andrews AFB, MD	Tinker AFB, OK
	McGuire AFB, NJ	Hill AFB, UT
DLA:		
	DDTC, CA	
	DDMC, PA	
	DPSC, PA (dependent upon Base Closure actions)	

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The alternative estimates that adoption of this program will achieve cost avoidance of approximately $150.0 million annually, and establish a business-oriented structure that will substantially increase productivity and efficiency. Accordingly, the alternative provides for the Services and Defense Agencies to prepare plans for implementing the establishment of Public Works Centers. These plans are to be prepared under the guidance and direction of USD(A), consistent with the principles and time tables outlined above. After coordination with DoD(C), the Under Secretary of Defense for Acquisition shall submit such plans, including adjustments required due to subsequent base closure decisions, and detailed transfer of function and resource realignment requirements to DepSecDef for approval by June 30, 1991, for centers to be established effective FY 1992, and by June 30, 1992, for centers to be established effective FY 1993.

Application of Economic Analysis Techniques: In reviewing the methods used by the Services to make financial management investment decisions for repair, renovation, or new construction of facilities, the study revealed that commonly accepted economic analysis (EA) techniques are not regularly employed. Although there was abundant evidence that economic engineering evaluations were conducted to determine work processes, materials, and methods at over 14 major installations reviewed, few actual economic analysis studies were conducted to determine whether facility requirements should be satisfied through the status quo, minor alterations of existing facilities, renovation of existing assets, or new construction. Where EA's were conducted many of the studies assigned the same economic life to improvements as new construction, which is a blatantly faulty assumption. Studies conducted showed a pattern of poor quality, unrealistic assumptions, data of low reliability or validity used in the cost computations; or the EA's were not structured in accordance with DoD guidelines for conducting economic analysis. It would appear that to make sound economic decisions commanders must first have a clear understanding of the economic impact of available alternatives.

In order to ensure prudent and economic investments during the current constrained budget climate, these basic business practices would appear necessary. Accordingly, the alternative would require an economic analysis be prepared to support the investment decision for all construction, major repair, or renovation project estimated to cost in excess of $2.0 million.

Installation Master Planning Policies: The Services all employ multiyear installation master planning programs designed to keep the installation infrastructure postured to support projected force structure and operational requirements. However, with the exception of the Air Force, most of these plans focus too heavily on future expansions and modernization. On a typical base if a

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building or other facility becomes partially or completely vacant, other operational elements and tenant commands seek to expand into the available space, whether their operational needs support the additional space or not. Many tenant commands are not required to pay anything for additional space so there is no incentive to limit their facilities to what is actually required to support their missions. In many organizations the Base Civil Engineer has little ability to control this process even if the facilities are in poor shape or past their efficient economic life. Installation commanders either desire to support the operational elements, or find it difficult to turn down requests for space. In addition, once a tenant command assumes ownership or control of a facility it usually retains all such space indefinitely.

As a consequence, many installations have partially used or under-utilized facilities which create a drain on maintenance resources. If, for example, a warehouse is only half used, the entire building must still be heated and maintained.

Of the installations visited by the DMR Team, only the Air Force bases had proactive programs to downsize their installation. Given the projected reductions in funding and force structure it would appear necessary for all DoD installations to follow this approach. Closing entire bases is the most effective method of downsizing. However, even those installations scheduled to be retained in the inventory would benefit from formal plans requiring maximizing facility utilization and elimination of inefficient and unneeded facilities. The alternative would require all Services to ensure that installation master plans include formal programs for downsizing the infrastructure where appropriate.

Air Force Initiatives: The most striking difference between the Services is the method used for employing military personnel in support of real property maintenance (RPM) and base engineering services. The Army and the Navy employ very few military and civilian personnel in their RPM programs. At a typical Army or Navy installation only 2% to 5% of personnel are military. Conversely, at each Air Force installation 50% to 60% of all personnel supporting base engineering services and RPM are military. The Air Force rationale for employing high numbers of active duty military personnel within the continental United States and overseas in their base engineering functions, is that it represents excellent training in support of wartime missions.

Under the current Air Force program every Air Force Wing and Squadron worldwide has an assigned PRIME BEEF team. These teams are also 50% of every Air Force base civil engineering and maintenance work force. They are trained for deployment and spend 15% of their time in strictly military skills training (air base security, small arms, basic military skills, ordnance disposal,

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runway repair, airfield firefighting, etc.). The PRIME BEEF wartime mission is to provide deployable engineering support to restore overseas bases that have suffered attacks and to maintain and operate these bases in support of Air Force operational requirements.

The Air Force undoubtedly needs to retain personnel to support the vital PRIME BEEF mission. Recent events have helped to underscore this need as PRIME BEEF units are currently supporting Middle East operations. However, consistent with planned force structure reductions over the six-year Defense Program, base closures, and the revised worldwide threat analysis set forth in the current Defense Guidance; substantial reductions in overall PRIME BEEF are both possible and necessary.

The Air Force has proposed several initiatives to reduce costs in the base engineering and real property maintenance program. The alternative recommends approval of these Air Force initiatives as outlined below:

* Reorganization of Base Engineering Support Functions. This initiative will reduce overhead costs, eliminate redundant layers of positions, and apply a range of Total Quality Management (TQM) principles to achieve reduced costs, without reducing quality of service at all installations. The Air Force will transition from a functional-based, task-oriented organization structure to a product-oriented structure. This will include establishment of product teams responsible for the complete end product. The teams will be multi-skilled, versatile, and responsive to customer needs.

• Transition to multi-skilled craftsmen. Complimenting the transition to product oriented organizations, the Air Force plans to reduce the number of separate skill designators (AFSC's) for military positions. For both military and civilian positions the goal will be to develop multiskilled craftsmen to support the product-oriented work teams.

• Reduce military personnel and convert other unneeded military personnel to civilian positions. It is cost-effective and prudent to convert excess military positions to civilian positions. Civilian positions are not required to maintain military combat skills resulting in a 15% productivity enhancement. In addition, in light of the changing threat environment and adjustments to war plans, overall PRIME BEEF manning may be reduced.

The inclusion of Public Work Center functions at the designated Air Force installations, as previously addressed, shall be complimentary with the above Air Force initiatives. Air Force public work center functions and responsibilities should be consistent with the principles described above for operation of

DMRD Continuation Sheet

PWC's. At those installations where Air Force PWC's are to be established the cognizant Engineering Support Group or Squadron and its assigned civilian elements will provide the PWC Intra-Service support. The establishment of a PWC function will not duplicate existing engineering support organizations.

These initiatives will generate cost savings as identified under the Summary of Adjustments listed below. In addition, the Air Force will review the current mix of active duty, Air Force Reserve, and Air Guard component strength levels under the total force concept, for PRIME BEEF and related engineering functions. Air Force proposed adjustments to the active and reserve/guard mix will be included in the detailed Air Force plans to be submitted for DepSecDef approval by June 30, 1991.

SUMMARY OF ADJUSTMENTS:

($ in Millions)

	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
Program Consolidations & Establishment of PWC's:						
ARMY O&M	-25.5	-52.9	-54.7	-56.4	-58.2	-60.0
NAVY O&M	-25.5	-52.9	-54.7	-56.4	-58.2	-60.0
DLA O&M	+1.0	+2.1	+2.2	+2.3	+2.4	+2.5
Total DMRD	-50.0	-103.7	-107.2	-110.5	-114.0	-117.5

No. 967

DMRD Continuation Sheet

The following is a record of the approved adjustments for the Air Force. The TOA adjustments for Air Force are separately recorded by PBD, and are not additive to the Summary of Adjustments for this DMRD.

($ in millions)

	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
Air Force Reductions: (Establishment of PWC's and other Air Force Initiatives)						
MILPERS, AF	-37.7	-80.4	-131.0	-190.3	-224.8	-244.0
Air Force O&M	-11.8	-2.6	+1.5	+1.9	+6.0	-1.3
Total Air Force	-49.5	-83.0	-129.5	-188.4	-218.8	-245.3

(Military End Strength)

	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
Air Force	-1,122	-2,296	-3,638	-5,124	-5,875	-6,185

(Civilian Personnel End Strength)

	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
Air Force USDH	-330	-71	+39	+48	+147	-30

REPRODUCED AT GOVERNMENT EXPENSE

DEPARTMENT OF THE NAVY
COMMANDER NAVAL BASE
[redacted]

IN REPLY REFER TO:
11000
Ser 003/596
22 MAY 1991

From: Commander, Naval Base, [redacted]
To: Commander in Chief, U.S. Pacific Fleet

Subj: IMPLEMENTATION OF DEFENSE MANAGEMENT REVIEW DECISION (DMRD) 967

Ref: (a) CINCPACFLT 082041Z May 91

Encl: (1) PWC [redacted]/NAS [redacted] Expansion Tentative POA&M

1. As directed by reference (a), enclosure (1) is forwarded as a preliminary implementation plan for expansion of Navy Public Works Center (PWC), [redacted] to Naval Air Station (NAS) [redacted]. This plan was developed after consultation between PWC [redacted] and NAS [redacted] staffs.

2. A "best business decision" process will be applied to all functions under consideration for transfer to ensure economical use of scarce base operating support dollars. Functions offering the greatest cost savings to the Navy will be transferred early with all functions being transferred only after careful review.

3. It is planned that none of the actions listed in enclosure (1) will begin without formal direction from CINCPACFLT.

[redacted]
[redacted]
By direction

Copy to:
COMNAVAIRPAC
COMNAVFACENGCOM
PWC [redacted]
NAS [redacted]

16. MY 78 11 82 AVH

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Exhibit 3-2 (Page 1 of 7)

PWC [redacted]/NAS [redacted] EXPANSION TENTATIVE POA&M
22 May 1991

PLAN OF ACTION & MILESTONES

PHASE 1 - INITIAL ACTIONS:

A. Identify key managers from PWC [redacted] and from NAS [redacted] who will provide Command guidance and policy for the study of functions.

B. Identify and establish functional study teams from each command to facilitate and orchestrate the details of the study. These teams are capable of addressing issues such as financial, personnel, equipment, facilities, in-house and contracted workloads, material support, ADP, payroll, etc.

C. PWC [redacted] and NAS [redacted] familiarize each other on their organization structures and functions.

D. PWC [redacted] and NAS [redacted] jointly provide initial briefing to all NAS [redacted] PWD employees and address employee concerns through question and answer sessions.

E. Place PWC [redacted] and NAS [redacted] functional study teams together on-site at NAS [redacted]. Set up administrative support for teams.

F. Establish a communications system to provide periodic information to effected PWD employees to reduce rumors and fears. (Use briefings, newsletters, etc.)

PHASE 2 - BEST BUSINESS DECISION STUDY:

A. Identify functions under consideration for transfer.

B. Perform budget impact analysis on identified functions.

C. Determine which functions are most economical to transfer.

PHASE 3 - CONDUCT SITE SURVEYS:

A. Identify PWD customers and jointly provide initial briefings concerning the expansion.

B. Identify PWD assets (facilities, utility systems, equipment, etc.) and their current condition.

C. Determine any special requirements that need to be considered to reach the best business decision.

PHASE 4 - IDENTIFY WORKLOADS:

A. Identify and prepare necessary conversions of continuing workloads. (Preventative Maintenance, Inspections, Contracts, etc.)

PHASE 5 - TRANSITION COORDINATION:

A. Define customer needs, priorities, organizational values, and expectations.

B. Brief customers and employees on procedures.

C. Identify and negotiate Inter-Service Support Agreements (ISSAs).

PHASE 6 - ESTABLISH STAFF CIVIL ENGINEER (SCE) OFFICE:

A. Determine staff requirements for functions transferred.

B. Establish appropriate procedures.

PHASE 7 - DEVELOP IMPLEMENTATION PLAN - SUPPORT SERVICES:

A. Management Information Department - Coordinate PWC Management Information System (MIS) implementation with functional phase-in plans. Determine best interface with existing MIS.

B. Personnel Department - Assist in PWD employee briefings and coordinate transfer of employee records with functional phase-in plans.

C. Financial Support - Assist with obtaining NAS [redacted] funding transfers and brief new customers on PWC funding procedures. Coordinate the establishment of NAS [redacted] SCE cost accounting.

D. Administrative Support - Coordinate badging of transferring PWD/PWC employees and guard mail services for functional areas transferred.

PHASE 8 - DEVELOP IMPLEMENTATION PLAN - MATERIAL SUPPORT/SHOP STORE:

A. Identify needed resources to open shop store (facilities, equipment, personnel, etc.)

B. Coordinate material MIS implementation with various functional phase-in plans.

C. Brief new customers on material processes and procedures.

D. Prepare transfer of personnel, facilities, equipment, tools and plant property to open shop store.

E. Transfer resources.

F. Indoctrinate transferred employees.

PHASE 9 - DEVELOP IMPLEMENTATION PLAN - TRANSPORTATION:

A. Identify and evaluate existing procedures/processes and jointly modify if required.

B. Develop/install transportation MIS.

C. Identify and establish on-site material support.

D. Review business decision/financial impacts.

E. Brief customers on work and financial processes.

F. Prepare transfer of personnel, facilities, equipment, tools and plant property.

G. Transfer resources.

H. Indoctrinate transferred employees.

PHASE 10 - DEVELOP IMPLEMENTATION PLAN - HAZARDOUS WASTE:

A. Identify and evaluate existing procedures/processes and jointly modify if required.

B. Develop/install MIS.

C. Identify and establish on-site material support.

D. Review business decision/financial impacts.

E. Brief customers on work and financial processes.

F. Prepare transfer of personnel, facilities, equipment, tools and plant property.

G. Transfer resources.

H. Indoctrinate transferred employees.

PHASE 11 - DEVELOP IMPLEMENTATION PLAN - UTILITIES:

A. Identify and evaluate existing procedures/processes and jointly modify if required.

B. Develop/install utilities MIS.

C. Identify and establish on-site material support.

D. Review business decision/financial impacts.

E. Brief customers on work and financial processes.

F. Prepare transfer of personnel, facilities, equipment, tools, utility systems and plant property.

G. Transfer resources.

H. Indoctrinate transferred employees.

PHASE 12 - DEVELOP IMPLEMENTATION PLAN - MAINTENANCE:

A. Identify and evaluate existing procedures/processes and jointly modify if required.

B. Develop/install maintenance MIS.

C. Identify and establish on-site material support.

D. Review business decision/financial impacts.

E. Brief customers on work and financial processes.

F. Prepare transfer of personnel, facilities, equipment, tools and plant property.

PHASE 13 - IMPLEMENTATION FOLLOW-UP:

A. Review MIS implementation.

B. Review employee indoctrinations.

C. Review processes and procedures.

D. Review customer impacts.

Attached: Plan of Action & Milestones Gantt Chart

POAAM2
22 MAY 1991

PHC [redacted] NAS [redacted] EXPANSION TENTATIVE POAM

Initial Action :----:
Follow-up Action :\\\\:

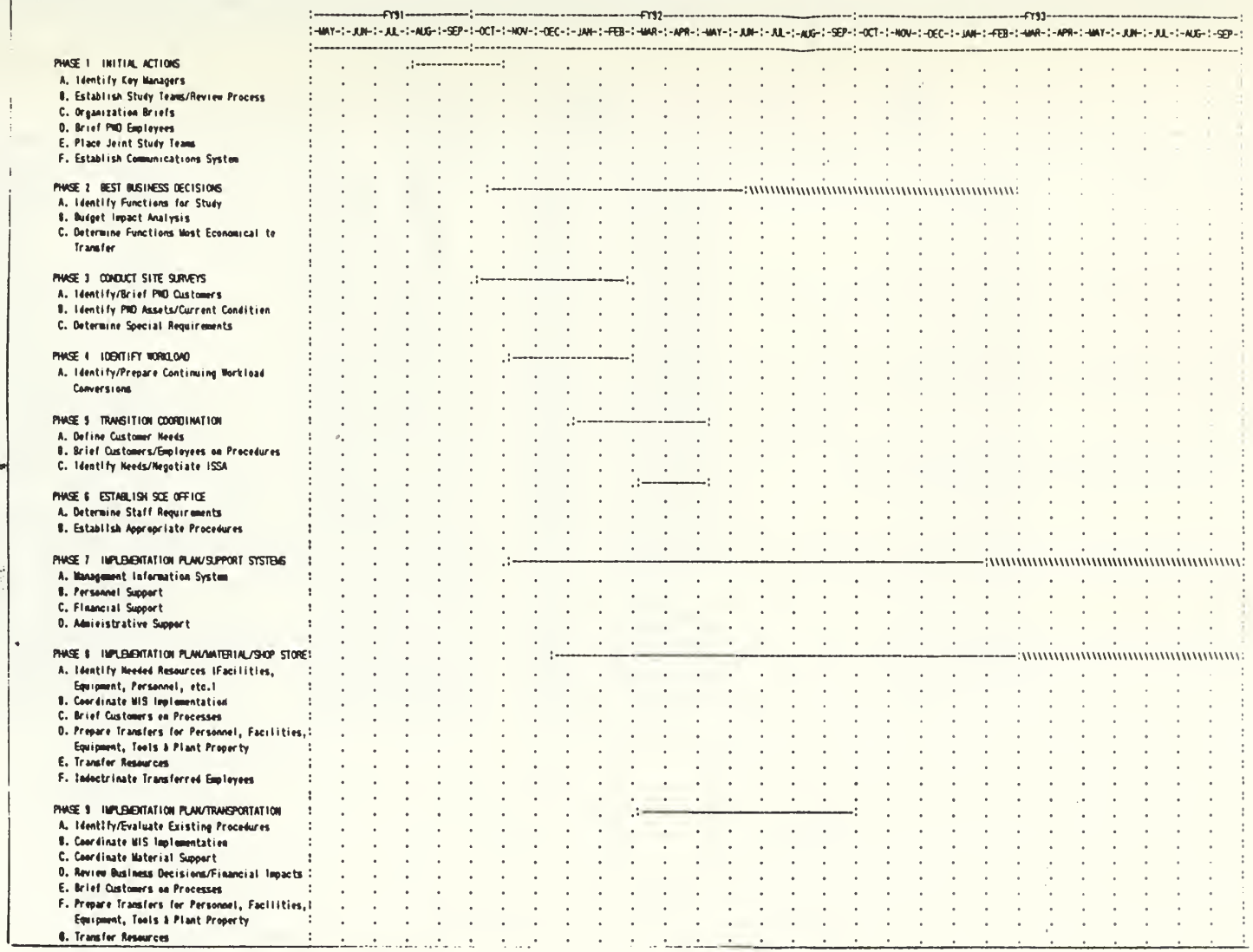
FY91
FY92
FY93
MAY - JUN - JUL - AUG - SEP - OCT - NOV - DEC - JAN - FEB - MAR - APR - MAY - JUN - JUL - AUG - SEP - OCT - NOV - DEC - JAN - FEB - MAR - APR - MAY - JUN - JUL - AUG - SEP
PHASE 1 INITIAL ACTIONS
A. Identify Key Managers
B. Establish Study Teams/Review Process
C. Organization Briefs
D. Brief PWD Employees
E. Place Joint Study Teams
F. Establish Communications System
PHASE 2 BEST BUSINESS DECISIONS
A. Identify Functions for Study
B. Budget Impact Analysis
C. Determine Functions Most Economical to Transfer
PHASE 3 CONDUCT SITE SURVEYS
A. Identify/Brief PWD Customers
B. Identify PWD Assets/Current Condition
C. Determine Special Requirements
PHASE 4 IDENTIFY WORKLOAD
A. Identify/Prepare Continuing Workload Conversions
PHASE 5 TRANSITION COORDINATION
A. Define Customer Needs
B. Brief Customers/Employees on Procedures
C. Identify Needs/Negotiate ISSA
PHASE 6 ESTABLISH SCE OFFICE
A. Determine Staff Requirements
B. Establish Appropriate Procedures
PHASE 7 IMPLEMENTATION PLAN/SUPPORT SYSTEMS
A. Management Information System
B. Personnel Support
C. Financial Support
D. Administrative Support
PHASE 8 IMPLEMENTATION PLAN/MATERIAL/SHOP STORE
A. Identify Needed Resources (Facilities, Equipment, Personnel, etc.)
B. Coordinate MIS Implementation
C. Brief Customers on Processes
D. Prepare Transfers for Personnel, Facilities, Equipment, Tools & Plant Property
E. Transfer Resources
F. Indoctrinate Transferred Employees
PHASE 9 IMPLEMENTATION PLAN/TRANSPORTATION
A. Identify/Evaluate Existing Procedures
B. Coordinate MIS Implementation
C. Coordinate Material Support
D. Review Business Decisions/Financial Impacts
E. Brief Customers on Processes
F. Prepare Transfers for Personnel, Facilities, Equipment, Tools & Plant Property
G. Transfer Resources

Exhibit 12 (Page 6 of 7)
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PHASE 10 IMPLEMENTATION PLAN/HAZ WASTE
A. Identify/Evaluate Existing Procedures
B. Coordinate MIS Implementation
C. Coordinate Material Support
D. Review Business Decisions/Financial Impacts
E. Brief Customers on Processes
F. Prepare Transfers for Personnel, Facilities, Equipment, Tools & Plant Property
G. Transfer Resources
H. Indoctrinate Transferred Employees

PHASE 11 IMPLEMENTATION PLAN/UTILITIES
A. Identify/Evaluate Existing Procedures
B. Coordinate MIS Implementation
C. Coordinate Material Support
D. Review Business Decisions/Financial Impacts
E. Brief Customers on Processes
F. Prepare Transfers for Personnel, Facilities, Equipment, Tools, Utility Systems & Plant Property
G. Transfer Resources
H. Indoctrinate Transferred Employees

PHASE 12 IMPLEMENTATION PLAN/MAINTENANCE
A. Identify/Evaluate Existing Procedures
B. Develop/Install MIS
C. Coordinate Material Support
D. Review Business Decisions/Financial Impacts
E. Brief Customers on Processes
F. Prepare Transfers for Personnel, Facilities, Equipment, Tools & Plant Property
G. Transfer Resources
H. Indoctrinate Transferred Employees

PHASE 13 IMPLEMENTATION FOLLOW-UP
A. Review MIS Implementation
B. Review Employee Indoctrination
C. Review Processes and Procedures
D. Review Customer Impacts

Exhibit 3-2 (Page 7 of 7)

NAS [redacted] PMC CONVERSION DATA

AG	SAG	COST ACCT	DESCRIPTION	UNIT OF MEASURE	WORK UNITS	PWD FY-91 FUNDING	APPLICABLE FY-91 PMC RATE	OVERHEAD REDUCTION	FY-91 PMC COSTS	FY-92 NAVCOMPT PRICE INCR	FY-92 REQ	FY-92 FUNDING	SHORTFALL	FY-93 NAVCOMPT PRICE INCR	FY-93 REQ	FY-93 FUNDING	SHORTFALL
F4	FA	7110	TRNG BUILDINGS-M	1000 SQ FT	315	304,000	COST + 4 %	OVHD	316,160	10.6%	349,673			-5.0%	332,189		
F4	FA	7120	MAINTENANCE/PRO	1000 SQ FT	169	43,000	COST + 4 %	OVHD	44,720	10.6%	49,460			-5.0%	46,987		
F4	FA	7140	STORAGE	1000 SQ FT	225	31,000	COST + 4 %	OVHD	32,240	10.6%	35,657			-5.0%	33,875		
F4	FA	7150	MEDICAL	1000 SQ FT	15	3,000	COST + 4 %	OVHD	3,120	10.6%	3,451			-5.0%	3,278		
F4	FA	7160	ADMINISTRATION	1000 SQ FT	79	68,000	COST + 4 %	OVHD	70,720	10.6%	78,216			-5.0%	74,306		
F4	FA	7170	BACHELOR EM BAR	1000 SQ FT	332	314,000	COST + 4 %	OVHD	326,560	10.6%	361,175			-5.0%	343,117		
F4	FA	7180	BACHELOR HOUSIN	1000 SQ FT	52	4,000	COST + 4 %	OVHD	4,160	10.6%	4,601			-5.0%	4,371		
F4	FA	71A0	BOQ	1000 SQ FT	91	10,000	COST + 4 %	OVHD	10,400	10.6%	11,502			-5.0%	10,927		
F4	FA	71J0	COMMUNITY BLDGS	1000 SQ FT	549	337,000	COST + 4 %	OVHD	350,480	10.6%	387,631			-5.0%	368,249		
F4	FA	71K0	COMMUNICATION BLDGS			5,000	COST + 4 %	OVHD	5,200	10.6%	5,751			-5.0%	5,464		
F4	FA	71L0	AIRFLD TOWER/TE	1000 SQ FT	71	87,000	COST + 4 %	OVHD	90,480	10.6%	100,071			-5.0%	95,067		
F4	FA	71M0	OTHER LAND OPER			90,000	COST + 4 %	OVHD	93,600	10.6%	103,522			-5.0%	98,346		
F4	FA	71N0	AMMUNITION STOR	1000 SQ FT	33	3,000	COST + 4 %	OVHD	3,120	10.6%	3,451			-5.0%	3,278		
F4	FA	71T0	NAVIG/TRAFFIC A	1000 SQ FT	3	3,000	COST + 4 %	OVHD	3,120	10.6%	3,451			-5.0%	3,278		
F4	FA	71U0	AIRCRAFT MAINT/	1000 SQ FT	564	438,000	COST + 4 %	OVHD	455,520	10.6%	503,805			-5.0%	478,615		
F4	FA	7310	ROADS/STREETS	SQ YDS	1,842,701	84,000	COST + 4 %	OVHD	87,360	10.6%	96,620			-5.0%	91,789		
F4	FA	7320	AIRFIELD RUNWAY	SQ YDS	577,777	152,000	COST + 4 %	OVHD	158,080	10.6%	174,836			-5.0%	166,095		
F4	FA	7330	OTHER AIRFIELD PAVEMENSQ YDS		91,509	81,000	COST + 4 %	OVHD	84,240	10.6%	93,169			-5.0%	88,511		
F4	FA	7350	SIDEWALKS AND OTHER PASQ YDS		1,425,354	41,000	COST + 4 %	OVHD	42,640	10.6%	47,160			-5.0%	44,802		
F4	FA	7410	IMPROVED GROUND	ACRES	374	533,000	COST + 4 %	OVHD	554,320	10.6%	613,078			-5.0%	582,424		
F4	FA	7520	L1Q FUEL DISPENSING	PLANT VALUE	34	40,000	COST + 4 %	OVHD	41,600	10.6%	46,010			-5.0%	43,709		
F4	FA	7530	COMM NAV AIDS	PLANT VALUE	0	2,000	COST + 4 %	OVHD	2,080	10.6%	2,300			-5.0%	2,185		
F4	FA	7550	AIRFIELD PAVING LIGHTIPLANT VALUE		86,765	135,000	COST + 4 %	OVHD	140,400	10.6%	155,282			-5.0%	147,518		
F4	FA	7560	LAND OPS FAC OTHER THAPLANT VALUE		2,204	0	COST + 4 %	OVHD	0	10.6%	0			-5.0%	0		
F4	FA	7570	TRAINING STRUC OTHER TPLANT VALUE		1,198	12,000	COST + 4 %	OVHD	12,480	10.6%	13,803			-5.0%	13,113		
F4	FA	75A0	BULK L1Q FUEL STORAGE PLANT VALUE		5,831	22,000	COST + 4 %	OVHD	22,880	10.6%	25,305			-5.0%	24,040		
F4	FA	75B0	MNR EXERIOR FACILITIESPLANT VALUE		3,292	211,000	COST + 4 %	OVHD	219,440	10.6%	242,701			-5.0%	230,566		
F4	FA	75L0	FENCES WALLS & GATES PLANT VALUE		165,533	21,000	COST + 4 %	OVHD	21,840	10.6%	24,155			-5.0%	22,947		
F4	FA	75S0	ACFT FUEL DISPENSING FPLANT VALUE		1,812	4,000	COST + 4 %	OVHD	4,160	10.6%	4,601			-5.0%	4,371		
F4	FA	75T0	NAV & TRAFFIC AIDS DTHPLANT VALUE		365	8,000	COST + 4 %	OVHD	8,320	10.6%	9,202			-5.0%	8,742		

Exhibit 3-3 (Page 1 of 5)

NAS [redacted] PWC CONVERSION DATA

AG	SAG	COST ACCT	DESCRIPTION	UNIT OF MEASURE	WORK UNITS	PWD FY-91 FUNDING	APPLICABLE FY-91 PWC RATE	OVERHEAD REDUCTION	FY-91 PWC COSTS	FY-92 NAVCOMPT PRICE INCR	FY-92 REQ	FY-92 FUNDING	SHORTFALL	FY-93 NAVCOMPT PRICE INCR	FY-93 REQ	FY-93 FUNDING	SHORTFALL
F4	FA	7610	ELECTRICTY GENERATING			99,000	COST + 4 % OVHD		102,960	10.6%	113,874			-5.0%	108,180		
F4	FA	7620	HEATING OVER 3.5 MIL BTU/HR			44,000	COST + 4 % OVHD		45,760	10.6%	50,611			-5.0%	48,080		
F4	FA	7640	STEAM POWER			20,000	COST + 4 % OVHD		20,800	10.6%	23,005			-5.0%	21,855		
F4	FA	7690	COMPRESSED AIR PLTS & SYS			47,000	COST + 4 % OVHD		48,880	10.6%	54,061			-5.0%	51,358		
F4	FA	7640	AIR CONDITIONING 25 TO 100 TN			218,000	COST + 4 % OVHD		226,720	10.6%	250,752			-5.0%	238,215		
F4	FA	7680	AIR CONDITIONING 5 TO 25 TN			124,000	COST + 4 % OVHD		128,960	10.6%	142,630			-5.0%	135,498		
F4	FA	7660	AIR CONDITIONING EQP OVER 100 TN			112,000	COST + 4 % OVHD		116,480	10.6%	128,827			-5.0%	122,386		
F4	FA	7710	ELECTRICAL DISTRIBUTION SYS			41,000	COST + 4 % OVHD		42,640	10.6%	47,160			-5.0%	44,802		
F4	FA	7720	STEAM & HOT WATER			65,000	COST + 4 % OVHD		67,600	10.6%	74,766			-5.0%	71,027		
F4	FA	7730	POTABLE WATER DIST FAC			17,000	COST + 4 % OVHD		17,680	10.6%	19,554			-5.0%	18,576		
F4	FA	7740	POTABLE WATER DIST LINES			18,000	COST + 4 % OVHD		18,720	10.6%	20,704			-5.0%	19,669		
F4	FA	7760	SEWAGE/INDUSTRIAL WASTE COLLECTION			6,000	COST + 4 % OVHD		6,240	10.6%	6,901			-5.0%	6,556		
F4	FA	7770	GAS DIST SYS			2,000	COST + 4 % OVHD		2,080	10.6%	2,300			-5.0%	2,185		
F4	FA	7780	NONPOTABLE WATER DIST LINES			5,000	COST + 4 % OVHD		5,200	10.6%	5,751			-5.0%	5,464		
F4	FA	7790	FIRE ALARMS			36,000	COST + 4 % OVHD		37,440	10.6%	41,409			-5.0%	39,338		
F4	FA	7820	EMERGENCY SERVICE WORK # OF CALLS		2,853	530,000	COST + 4 % OVHD		551,200	10.6%	609,627			-5.0%	579,146		
F4	FA	7830	EMERGENCY SERVICE WORK # OF CALLS		221	60,000	COST + 4 % OVHD		62,400	10.6%	69,014			-5.0%	65,564		
F4	FA	7910	MAIN SHOP OVERHEAD			944,000		(944,000)	(944,000)								
F4	FA	7920	MAINT CONTROL			877,000	COST + 4 % OVHD		912,080	10.6%	1,008,760			-5.0%	958,322		
F4	FA	7930	GROUNDS MAINT EQP			72,000	COST + 4 % OVHD		74,880	10.6%	82,817			-5.0%	78,676		
TOTAL MRP						6,423,000		(944,000)	4,754,160		6,302,165	6,659,000	356,835		5,987,057	6,224,000	236,943
F4	FB	7014	HEALTH & SAFETY			3,000	COST + 4 % OVHD		3,120	10.6%	3,451			-5.0%	3,278		
F4	FB	7017	OTHER CAPITALIZED			25,000	COST + 4 % OVHD		26,000	10.6%	28,756			-5.0%	27,318		
F4	FB	7021	NON-CAPITALIZED			196,000	COST + 4 % OVHD		203,840	10.6%	225,447			-5.0%	214,175		
TOTAL MINOR CONSTRUCTION						224,000		0	232,960		257,654	127,000	(130,654)		244,771	123,000	(121,771)

Exhibit 3-3 (Page 2 of 5)

NAS [redacted] PWC CONVERSION DATA

AG	SAG	COST ACCT	DESCRIPTION	UNIT OF MEASURE	WORK UNITS	PWD FY-91 FUNDING	APPLICABLE FY-91 PWC RATE	APPLICABLE OVERHEAD REDUCTION	FY-91 PWC COSTS	FY-92 NAVCOMPT PRICE INCR	FY-92 REQ	FY-92 FUNDING	SHORTFALL	FY-93 NAVCOMPT PRICE INCR	FY-93 REQ	FY-93 FUNDING	SHORTFALL
F3	FC	8110	STEAM & HOT WATER 750K	MBTU	4,012	26,000	12.00		48,144	10.6%	53,247			-5.0%	50,585		
F3	FC	8210	STEAM & HOT WATER 3500	MBTU	278,000	1,241,000	12.00		3,336,000	10.6%	3,689,616			-5.0%	3,505,135		
F3	FC	8310	ELECTRICITY	MWH	45,980	2,487,000	89.00		4,092,220	10.6%	4,525,995			-5.0%	4,299,696		
F3	FC	8330	ELECTRICITY	MWH	0	18,000	89.00		18,000	10.6%	19,908			-5.0%	18,913		
F3	FC	8410	POTABLE WATER	KGAL	220,261	288,000	3.00		660,783	10.6%	730,826			-5.0%	694,285		
F3	FC	8510	SEWAGE	KGAL	226,700	315,000	2.50		566,750	10.6%	626,826			-5.0%	595,484		
F3	FC	8750	FUEL/OTHER	MBTU	13,138	31,000	9.00		118,242	10.6%	130,776			-5.0%	124,237		
F3	FC	8810	UTILITY OVERHEAD		0	89,000		(89,000)	(89,000)						0		
TOTAL UTILITIES						4,495,000		(89,000)	8,751,139		9,777,194	4,291,000	(5,486,194)		9,288,334	4,428,000	(4,860,334)
F3	FD	9120	PW ENG			845,000		0	(845,000)								
F3	FD	9220	PEST & WEED CONTROL	KSF	5,268	102,000	PWC EST		232,000	10.6%	256,592			-5.0%	243,762		
F3	FD	9230	REFUSE COLLECT DISPOSA	KCY	165,000	424,000	COST + 4 % OVHD		440,960	10.6%	487,702			-5.0%	463,317		
F3	FD	9250	EMERGENCY SVC WRK NONA	# OF CALLS	10	2,000	COST + 4 % OVHD		2,080	10.6%	2,300			-5.0%	2,185		
F3	FD	9290	OTHER MAINT SERVICE			579,000	COST + 4 % OVHD		602,160	10.6%	665,989			-5.0%	632,690		
F3	FD	92E0	CUSTODIAL SERVICES CON	KSF	200	125,000	COST + 4 % OVHD		130,000	10.6%	143,780			-5.0%	136,591		
F3	FD		STAFF CIVL REQUIRMENTS			0			1,699,000	4.0%	1,766,960			4.0%	1,837,638		
TOTAL OTHER ENGINEERING SUPPORT						2,077,000		0	2,261,200		3,323,323	2,134,000	(1,189,323)		3,316,183	2,122,000	(1,194,183)
F3	FN	6A45	COMMUNICATIONS		2,576	640,000			665,600	10.6%	736,154			-5.0%	699,346		
		6A80	TELEPHONE TOLLS			52,000			54,080	10.6%	57,000			-5.0%	54,150		
TOTAL BASE COMMUNICATIONS						692,000		0	719,680		793,154	760,000	(33,154)		753,496	726,000	(27,496)

Exhibit 3-3 (Page 3 of 5)

NAS [redacted] PWC CONVERSION DATA

AG	SAG	COST ACCT	DESCRIPTION	UNIT OF MEASURE	WORK UNITS	PWD FY-91 FUNDING	APPLICABLE FY-91 PWC RATE	OVERHEAD REDUCTION	FY-91 PWC COSTS	FY-92 NAVCOMPT PRICE INCR	FY-92 REQ	FY-92 FUNDING	SHORTFALL	FY-93 NAVCOMPT PRICE INCR	FY-93 REQ	FY-93 FUNDING	SHORTFALL
F3	FR	6200	MAINT OF VEHICULAR TRANS			209,000			(209,000)								
F3	FR	62A2	SEDAN INTER 4DR			0				10.6%	0			-5.0%	0		
F3	FR	62A4	SEDAN COMPACT 4	VEHICLE MO.	264	0	184.00		48,576	10.6%	53,725			-5.0%	51,039		
F3	FR	62B0	BUSES BOC-37 PA	VEHICLE MO.	72	0	960.00		69,120	10.6%	76,447			-5.0%	72,624		
F3	FR	62G0	PICKUPS 1/2 TON	VEHICLE MO.	1,788	0	120.00		214,560	10.6%	237,303			-5.0%	225,438		
F3	FR	62H0	CARRYALLS	VEHICLE MO.	888	0	328.00		291,264	10.6%	322,138			-5.0%	306,031		
F3	FR	62I0	TRUCKS 1 TON	VEHICLE MO.	156	0	160.00		24,960	10.6%	27,606			-5.0%	26,225		
F3	FR	62J0	TRUCKS 1.5 TO 2	VEHICLE MO.	180	0	192.00		34,560	10.6%	38,223			-5.0%	36,312		
F3	FR	62K0	TRUCKS 2.5 TON	VEHICLE MO.	48	0	192.00		9,216	10.6%	10,193			-5.0%	9,683		
F3	FR	62M0	TRUCKS 5 TO 10	VEHICLE MO.	132	0	464.00		61,248	10.6%	67,740			-5.0%	64,353		
F3	FR	62N0	TRUCKS 11 TON O	VEHICLE MO.	24	0	1,216.00		29,184	10.6%	32,278			-5.0%	30,664		
F3	FR	63A2	SEDAN INTER 4DR			86,000			0	10.6%	0			-5.0%	0		
F3	FR	6400	MAINT OF OTHER TRANS EQUIP			342,000			474,000	10.6%	524,244			-5.0%	498,032		
F3	FR	6500	OPS OF OTHER TRANS EQUIP			34,000		(34,000)	(34,000)								
F3	FR	66I5	RNTAL/LEASE CO			24,000		(24,000)	(24,000)								
F3	FR	6700	OTHER OPERATING COSTS			378,000			1,073,000	10.6%	1,186,738			-5.0%	1,127,401		
F3	FR	6900	OVERHEAD MAINT			432,000		(432,000)	(432,000)								
TOTAL OTHER BASE SERVICES					3,552	1,505,000		(490,000)	1,630,688		2,576,635	1,547,000	(1,029,635)		2,447,803	1,598,000	(849,803)

Exhibit 3-3 (Page 4 of 5)

NAS [redacted] PWC CONVERSION DATA

AG	SAG	COST ACCT	DESCRIPTION	UNIT OF MEASURE	WORK UNITS	PWD FY-91 FUNDING	APPLICABLE FY-91 PWC RATE	OVERHEAD REDUCTION	FY-91 PWC COSTS	FY-92 NAVCOMPT PRICE INCR	FY-92 REQ	FY-92 FUNDING	SHORTFALL	FY-93 NAVCOMPT PRICE INCR	FY-93 REQ	FY-93 FUNDING	SHORTFALL
E4	FT	9270	HAZARDOUS WASTE			922,000	PWC EST		1,255,000	10.6%	1,388,030	961,000	(427,030)	-5.0%	1,318,629	477,000	(841,629)
TOTAL HAZARDOUS WASTE						922,000		0	1,255,000		1,388,030		(427,030)		1,318,629	477,000	(841,629)

AG	SAG	COST ACCT	GRAND TOTAL DESCRIPTION	UNIT OF MEASURE	WORK UNITS	PWD FY-91 FUNDING	APPLICABLE FY-91 PWC RATE	OVERHEAD REDUCTION	FY-91 PWC COSTS	FY-92 NAVCOMPT PRICE INCR	FY-92 REQ	FY-92 FUNDING	SHORTFALL	FY-93 NAVCOMPT PRICE INCR	FY-93 REQ	FY-93 FUNDING	SHORTFALL
TOTAL COSTS						16,338,000		(1,523,000)	19,604,827		24,418,154	15,318,000	(7,939,154)		23,356,273	15,698,000	(7,658,273)
DMRD 967 IMPOSED FUNDING CUTS												(3,258,000)	(3,258,000)			(6,711,000)	(6,711,000)
TOTAL DMRD 967 IMPACT											24,418,154	12,060,000	(11,197,154)		23,356,273	8,987,000	(14,369,273)

CRITERIA

1 ELIMINATE OVERHEAD ACCOUNTS AS THEY ARE CHARGED IN THE PWC RATES
2 RESIDUAL STAFF CIVIL ORGANIZATION BASED ON RESULTS OF NAS NORTH ISLAND EFFICIENCY REVIEW OF A SIMILAR ORGANIZATION.
3 PWC CHARGES 4 PERCENT OVERHEAD ON CONTRACTS. ASSUMPTION MADE THAT THE SAME OR SIMILAR CONTRACTS WOULD REMAIN IN PLACE. SAME PERCENTAGE UTILIZED TO ACCOUNT FOR PWC OVERHEAD ON SUPPLIES AND MATERIALS. NOTE THAT THIS OVERHEAD RATE DOES NOT INCLUDE QUALITY ASSURANCE (QA), PWC CHARGES EIGHT PERCENT OVERHEAD WHEN PROVIDING QA SUPPORT.
4 FOR TRANSPORTATION AND UTILITIES, ACTUAL RATES TIMES WORKLOAD UTILIZED. VEHICLE RENTALS EXPRESSED IN TERMS OF MONTHS UTILIZED TO MATCH PWC METHOD OF CHARGING FOR SERVICES.
5 NAVCOMPT RATES UTILIZED TO ESTIMATE OUTYEAR COSTS.
6 PWD FIGURES REPRESENT FY-91 EXECUTION OF THEIR PROGRAM. PWC COSTS UTILIZE FY-91 PUBLISHED RATES AND PWD FY-91 LEVEL OF EFFORT.
7 DMRD FUNDING CUT TAKEN FROM CINCPACFLT TRACKSHEETS.
8 OUT-YEAR FUNDING LEVELS BASED ON FAIR SHARE OF CINCPACFLT CONTROL NUMBERS.

Exhibit 3-3 (Page 5 of 5)

IV. ANALYSIS

A. INTRODUCTION

This chapter analyzes each of the three case studies presented in this thesis. Each case study teaching note is divided into four sections. Section one consists of questions that may help the student prepare the case, or may assist the instructor with stimulating class discussion. Section two is a summary of the case study. Section three lists various major issues or problems associated with the case. Each issue or problem is a potential avenue for analysis. Section four is an analysis of the case in light of the major issues or problems. The analysis utilizes pertinent theories and related case facts.

B. CASE STUDY ONE TEACHING NOTE

1. Questions

- What is the situation?
- What is the Commander's assessment of the situation?
- Do you agree with his assessment? Explain.
- What is your assessment of the situation? Explain.

2. Case Summary

The first section of the case series provides background information concerning the Public Works Department, NAS Kensington and CDR Alexander's first few months on board

as PWO. Descriptions of the department's mission, its organization, its users, and its situation are provided. Responsible for the facilities on board NAS Kensington, the Public Works Department was faced with trimming down and firming up in order to be competitive under the OMB Circular A-76.

3. Major Issues/Problems

Three major issues/problems are apparent in this case study. The first issue is one of privatization of the public sector, specifically as seen in the OMB Circular A-76. The overall theme of the Commercial Activities Study is to commercialize all government activities that can be performed by the civilian community. Secondly, PWD, NAS Kensington has been under a CA study for five-plus years. This long drawn out process has proven detrimental to the Department's morale and productivity. Finally, an important aspect of any strategic management issue should be an assessment of one's internal and external environments. This is better known as a SWOT analysis (strengths, weaknesses, opportunities, and threats). It helps define the "tools" one has to work with and the barriers to overcome.

4. Analysis

a. Situation

CDR Alexander reports aboard NAS Kensington as Public Works Officer just prior to a major milestone of an OSD

mandated CA study (i.e., the deadline for the Department's MEO submission). Though left with his predecessor's recommendations, CDR Alexander was now the one responsible for the submission of a fair and accurate, yet competitive bid. The MEO must represent a streamlined organization that can still perform its intended mission. To ignore the situation or to submit an inaccurate or uncompetitive bid potentially could mean the dissolution of the Public Works Department as it currently operates.

b. The Commander's Assessment

CDR Alexander identified the strategic issue as the following. How does one put together an MEO that is competitive yet is capable of providing improved customer service?

To address this strategic issue he had two choices: one, go with his predecessor's proposed MEO, or two, put together his own MEO. His first step in the process was to evaluate his predecessor's recommendation.

CDR Alexander's initial assessment ("gut reaction") was that the proposed MEO would be unsuccessful. He bases this initial problem definition on the fact that the proposed MEO's organizational structure is functional (the same as the current organization) and does not resemble examples from private industry or shipyards which have proven successful.

In an effort to verify his initial hypothesis, CDR Alexander gathers further data. An assessment of the data leads the Commander to stand by his initial problem definition (i.e., the current functional organization was not providing adequate customer service, therefore, the proposed functional MEO would be inadequate). He therefore chooses to put together his own.

c. Author's Analysis

It is clear in this case that action had to be taken to satisfy and finally complete the lengthy and unsettling CA study. The Commander appears to attack the situation head on and in a logical manner. Unfortunately though, we as Naval Officers are all too often required to respond to such short notice "emergencies" that we neglect to (or do not have the time or resources to) be thorough in our data gathering. This seems to be the case here. CDR Alexander collects the data required to verify his initial hypothesis but does not seem to assess his department's internal and external environments completely. If he had, he may have developed a different problem definition.

The Commander could have improved his data gathering and analysis process by following an approach developed by Dr. John M. Bryson in his book Strategic Planning for Public and Nonprofit Organizations. Dr. Bryson presents an eight-step strategic planning process that is based on

strategic issues management (see Exhibit 4-1). Of particular use in this case are steps 1 through 6.

Step 1. CDR Alexander is the most logical initiator of the analysis process, and is the final decision authority for the Department. In his analysis process he should consider input from all members of his organization. The Commander's key decision makers should include the Commanding Officer of the station (he is the final decision authority for the station) and all of his division directors (they are the driving force for their divisions).

Step 2. In this particular case, the overriding mandate at the time is clear--make Public Works efficient and effective enough to under bid the local contractors or face dissolution of the department.

Step 3. The organization's mission is clear as well--maintain and repair the station's facilities.

Step 4. Of particular interest during this time frame are the political, economic, and social forces and trends. The DoD has just experienced a period of great growth under President Reagan. The current year, 1988, is an election year though, and very shortly the country will be under the leadership of a new president. The outlook is for continued military support but with decreasing expansion.

Economically the nation is in a period of growth but again is looking to level off soon. The budget deficit is the largest ever and continues to grow.

Blue collar workers are on the decrease. More and more young people are turning to the service industry and white collar work. If this trend continues fewer laborers will be available to perform specialized maintenance work. A "jack of all trades" will be in demand.

Step 5. Internally the department does not have an abundance of resources (personnel, economic, material/equipment) to draw upon or a record of performance worth emulating.

The department is "short" 14 civilian personnel. And the personnel that they do have are significantly older than most work forces, which has meant excessive absences due to poor health.

Funds are finite and are generally less than is needed to accomplish everything requested by the other NAS departments and the various tenant commands.

It is evident from the numerous findings listed in Exhibit 1-8 that the department is sorely lacking in the area of supplies both materials and equipment, and that there is significant room for improvement in the area of performance. Many of the findings indicate a lack of motivation on the part of the worker, and a significant amount of wasted effort--both intentional idleness and that due to poor or no planning.

Step 6. CDR Alexander is faced with a two-part strategic issue--What is the best way to put together a MEO that is competitive yet capable of fulfilling it mission of

facility maintenance and repair, while facing increasing budget cuts and resource shortfalls?

The next step in the process is to formulate a strategy to deal with the issue identified in Step 6. Unfortunately, the information in the case does not provide one with enough data to thoroughly assess the situation. Therefore, it is difficult to even say whether the Commander should have gone with the proposed MEO or not.

Following are issues that should have been considered so as to better evaluate the situation. What is the labor distribution to the difficulty of the task performed? Is the maintenance division "top heavy?" Is there a disproportionate amount of journeymen? What is the level of expertise required to accomplish the majority of the work? Is the work being done properly the first time or is rework required? How many workers are needed to complete the average work request? How many workers are actually sent to do a job? Can trips to and from job sites be reduced? Can work be assigned such that all the jobs in one area can be taken care of in the minimum number of trips?

Though the consideration of cost reduction is the most pressing part of the strategic issue at hand, one must temper it with the fulfillment of the mission (i.e., customer service). A careful evaluation of the cost reductions is required in light of how it will effect service. Once armed

with this information a more informed definition of the problem could have been reached.

C. CASE STUDY TWO TEACHING NOTE

1. Questions

- Describe the Commander's strategy.
- Was organizational restructuring the most appropriate strategy?
- What alternative strategy would you recommend?
- Describe and critique the Commander's implementation of the MEO.

2. Case Summary

This case covers the time frame of August 1990 through September 1991. The major event that occurred was CDR Alexander's implementation of his proposed MEO (i.e., a RIF and reorganization). Changes within the department included the demotion of a number of Maintenance and Utilities Division workers, and the transition from a centralized, functional organization to a more decentralized, product/market organization. The workers having been grouped with others in their area of expertise are now spilt and assigned to "regional companies;" their discomfort level is high; their morale is low.

3. Major Issues/Problems

There are two major issues that are evident in case two. The first one deals with the Commander's choice of strategies given the environment. In order to be effective,

a strategy must satisfy several criteria, not the least of which is that it must address the given strategic issue(s).

> It must be technically workable, politically acceptable to key stakeholders, and must accord with the organization's philosophy and core values. It should be ethical, moral, and legal. It must also deal with the strategic issue it was supposed to address.[Ref. 10:p. 60]

The second issue is on of the Commander's implementation of the MEO, the steps taken and its effectiveness.

4. Analysis

a. The Commander's Strategy

CDR Alexander stands by his initial assessment and chooses to revamp his predecessor's proposed MEO by restructuring the organization and reducing in grade a number of workers. The purpose of restructuring was to improve customer service while the grade reductions were to reduce costs.

b. Most Appropriate Choice?

Based on the environmental assessment completed in the analysis of Case One and on the after action comments of the Commander's staff and workers (in Case Two), the restructuring of the organization was questionable.

It was imperative that the Commander reduce costs while maintaining or increasing customer service. He appears to address both of these issues, but does he really?

The term product/market is used here to describe a type of organizational structure in which "divisions are

organized according to individual products, product groups, services, regions, markets, customers, or major programs." [Ref. 9:p. 234]

In this particular case the distinguishing feature of the product/market structure is that the Maintenance and Utilities Division has been grouped based on geographical regions. For each region, all the necessary trades should be represented and fully staffed. The product/market structure in theory promotes flexibility and adaptability within each of the regional companies. Coordination across the trades within each company is maximized which means work requests that require multiple trades should be completed quicker. If fully functional this type of structure would enhance customer service with better response times, and since each region has its own team the customer is able to contact the right foreman and achieve satisfaction. [Ref. 9:pp. 234-235]

The key to the success of such a structure is to be fully staffed. A review of CDR Alexander's organization (Exhibit 2-3) shows that because of demotions (i.e., the need to reduce costs) and personnel shortages due to a DoD wide hiring freeze he does not have a full compliment of tradesmen in each regional company. This leaves each company incapable of fulfilling its mission without the use of members from the other teams. The benefits of the product/market structure are therefore negated because of the extensive coordination now required across teams.

It is also important to note that for each team to be fully staffed with all of the trades means a duplication of personnel. Duplication of personnel potentially means an increase in costs not a decrease.

To reorganize without a full staff will result in the failure of the system to perform as designed; to reorganize with a full staff will result in higher personnel costs. The action of organizing the Maintenance and Utilities Division in a product/market structure is contradictory to the two-part strategic issue faced by the Department, and is therefore not the most appropriate alternative given the environmental constraints.

c. Alternative Strategy

The most constraining element of the strategic issue is that of costs. This should be the focus of any alternative solution.

Though not strongly indicated in the case it appears from the Commander's explanation to his new APWO that indeed the Maintenance and Utilities Division is "top heavy" but not necessarily overmanned. Therefore the Commander's action of downgrading various positions is advisable. This would reduce costs while maintaining an adequate base of workers from which to draw.

In order to become more efficient and effective (better customer service) one could concentrate on various

areas of the work request process, i.e., prioritization and scheduling, and the dispatch/coordination of workers, tasks, and locations.

Utilizing the priorities assigned to the work requests (as described in Exhibit 1-2) and interface with a designated customer representative the Department could institute and maintain a monthly schedule of work requests. The key to success with this is to not deviate from the schedule unless it is an absolute emergency. The biggest challenge to keeping to the schedule is the RHIP alluded to by a couple of the workers in the case. Base C.O.'s are notoriously the worst for interrupting schedules and demanding "frivolous" projects be done. Dollars are too tight; C.O.'s must be tactfully educated on opportunity costs.

In conjunction with scheduling, the workers should be coordinated and assigned groups of tasks that are in one particular area. This obviously requires communication between shop foreman, the scheduler, and the customer, but a few minutes spent planning can save hours of wasted effort later.

Another element necessary to make scheduling and coordination successful is cooperation and coordination with the Supply Department. In order to accomplish most tasks the workers require materials or supplies of some sort. By knowing what work is upcoming (via prioritization and

scheduling) materials can be ordered in advance and be on hand for use when needed.

In this way the immediate necessity of reducing costs is accomplished, and the concern of customer service can be addressed and fine tuned as required. Then, if future budgets allow and increased customer service is still desired, a product/market structure could be implemented.

d. Implementation

The case gives us very little in the way of details as to the Commander's process of implementation. We do know that monthly meetings were held and that all levels of the organization were made aware of what was happening and when it was going to happen.

The key ingredient that seems to have been overlooked was "why" (i.e., the vision). The goal of the vision is to motivate. It should "emphasize purposes, behavior, performance criteria, decision rules, and standards that are public serving, rather than self-serving." [Ref. 10:p. 186]

Undoubtedly the Commander had a vision of success for his department, but it was unfortunately not passed on to his staff or workers. "A vision of success can have little effect if the organizational members are kept in the dark about it." [Ref. 10:p. 186]

D. CASE STUDY THREE TEACHING NOTE

1. Questions

- Describe the situation.
- Evaluate the situation (i.e., what course of action would you take given the situation?)

2. Case Summary

This final case brings us to the departure of CDR Alexander. His relief reports aboard and finds that he is faced with an OSD mandate to turn over his department's activities to PWC Edgewater in a move to consolidate DoD base engineering services.

3. Major Issues/Problems

The most evident and all encompassing issues include the OSD mandate to consolidate and the fact that it comes so closely on the heels of the MEO implementation. The Department is faced with another stressful and disruptive change. The workers have yet to adjust to the last one. Successful change management will be a must.

4. Analysis

a. Situation

In response to the increasing cutbacks in the Defense Department's budget and personnel structure, OSD published a number of different Defense Management Report Decisions, one of which, DMRD No. 967, addresses base engineering services (Public Works). A team of OSD and Service military and civilian experts determined that savings

and increased efficiencies are possible through consolidation. For PWD Kensington this means a takeover by (consolidation with) PWC Edgewater.

Only four months after the implementation of a major RIF and reorganization, PWD Kensington is once again faced with uncertain times and a potentially more disturbing change on the horizon.

b. Author's Evaluation

For the purpose of a classroom discussion one could evaluate or critique the DMRD based on various issues such as:

- Does the solution "work" for saving money?; fulfilling the mission?; satisfying the stakeholders?
- Does it help prioritize the work? Who prioritizes?
- Is "saving money" a fair assumption?
- Is consolidation really an "innovative" solution?
- Does the "solution" deal with the causes or does it merely treat the symptoms?
- Is the solution "right" for PWD Kensington?; PWC Edgewater?

As the PWO in this situation these questions may be interesting and intriguing, but one must at times recognize when situations can be changed and when they just must be reckoned with. In the pecking order of the DoD organization, the Commander is not in a position to influence a change in OSD policy. OSD has said to consolidate, and consolidate he must do. He is not without choice though--how to manage the transition is now the strategic issue. He can sit back and

just let the change take its course, or he can be an active participant and facilitate the change in his organization.

An effective approach to facilitating the change is to look at the situation as strategic issue management. Once again the Bryson model of strategic planning (Exhibit 4-1) is a useful model to utilize.

Each step should be evaluated and a SWOT analysis performed with the changes and new issues in mind. OSD's mandate to consolidate changes the "Department's" mission and entire outlook on its environment. Most of the concerns identified in the original planning process cease to exist for PWD once consolidation occurs. One particular concern, though, that must continue to be addressed, particularly in light of another change is the people. The workers are already unmotivated, unhappy and bitter from the last change. A significant effort must be made to stimulate and encourage them as they transition from PWD over to PWC.

AN EIGHT-STEP STRATEGIC PLANNING PROCESS
[Source: Ref. 10:pp. 48-61]

The process is illustrated on page two of this exhibit and is further described below.

Step 1--Initiating and agreeing on a strategic planning process. An individual or group must initiate the process. The key decision makers and the players who should be involved in the effort need to be identified, and an initial agreement reached.

Step 2--Clarifying organizational mandates. Mandates, both formal and informal, are "the musts" that an organization faces. These may appear in such things as legislation, municipal law, and/or contracts.

Step 3--Clarifying organizational mission and values. The organization's mission along with its mandates serves to justify its existence. By clarifying the organization's purpose unnecessary conflict can be avoided, and discussions and activities can be channeled productively.

Step 4--Assesing the external environment. The opportunities and threats facing an organization can be identified by analyzing the environment outside of the organization. These can be determined by observing various forces and trends--political, economical, technological, and social.

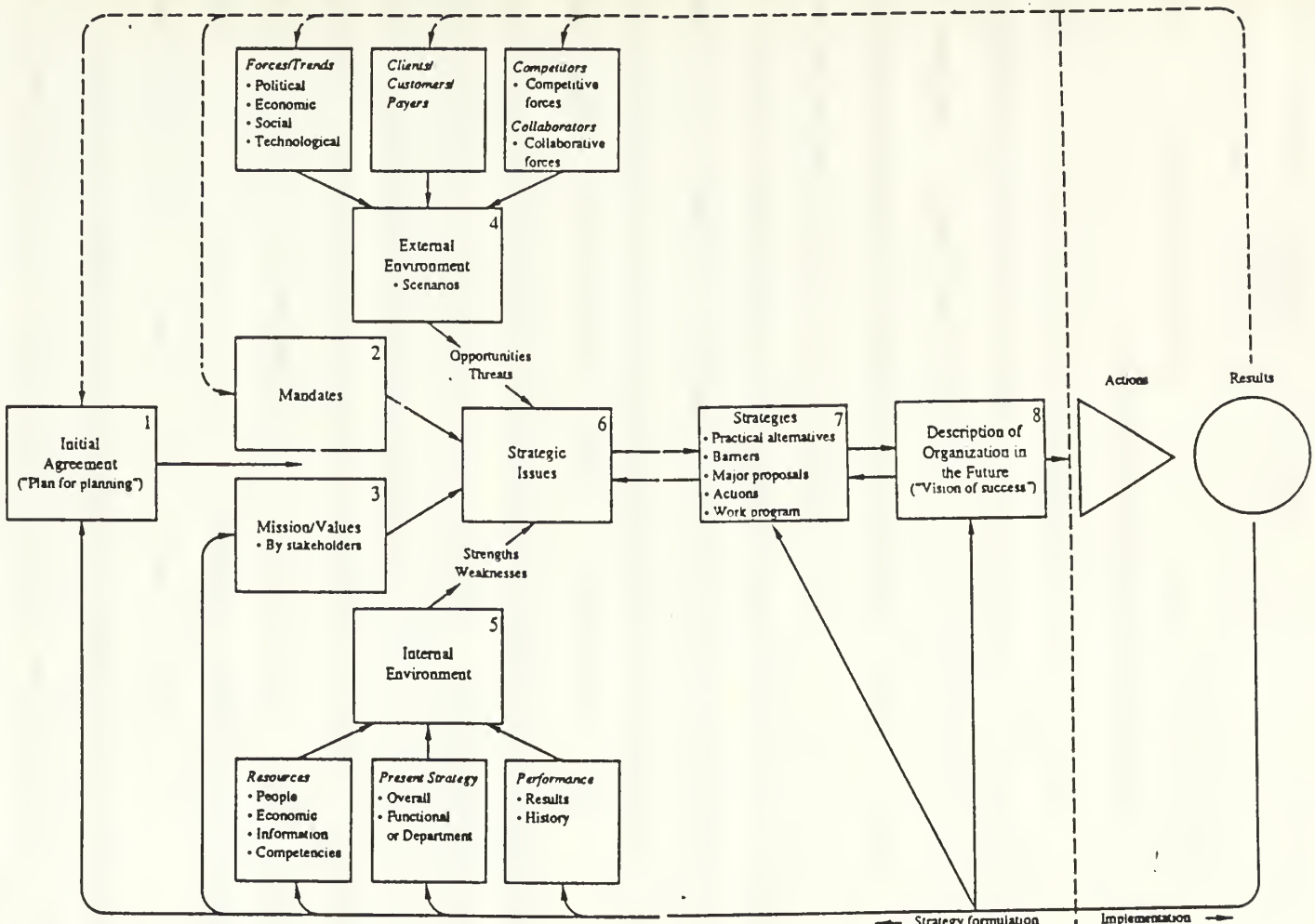
Step 5--Assesing the internal environment. Internal factors are those under the control of the organization, and include "resources" (personnel, supplies, equipment), "present strategy" (process), and "performance" (the outside of the organization). The evaluation of such internal factors will reveal the organization's strengths and weaknesses.

Step 6--Identifying the strategic issues facing an organization. The main goal of strategic planning is to achieve the best "fit" between an organization and its environment. Thus the combination of the first five steps leads to the identification of strategic issues (i.e., the basic policy questions that affect an organization's mandates, mission and values, and internal and external environment).

Step 7--Formulating strategies to manage the issues. Strategies vary by organizational level and function, and by time frame. Basically, though, they are a collection of elements such as programs, polices, and actions that set forth what an organization is, what it is to accomplish, and why it exists.

Step 8-- Establishing an effective organizational vision for the future. The final step is to develop a description of what the organization should look like when it successfully utilizes its strategies and reaches its full potential. "A challenging yet achievable vision embodies the tension between what an organization wants and what it can have." [Ref. 10:p. 61]

Figure 1. Strategic Planning Process.



Source: Bryson and Roering, 1987, p. 10.

Exhibit 4-1 (Page 2 of 2)

V. SUMMARY STATEMENT

A. CONCLUSIONS

1. Primary Research Question

What is the best way to reorganize in a changing environment? Tom Peters in his book Thriving On Chaos would have us believe there is a cookbook solution. He even titled his index "Prescriptions for a World Turned Upside Down." Unfortunately, as is evidenced in this thesis case study series, no such "prescription" for success exists, and the most accurate answer is--it depends. There is no one best way; it depends on the situation.

Each situation is unique; never before and never again will the exact situation, circumstances, or mix of people and conditions exist. Similar, but not exact. Because of this it is important to study theories and other's application of them (so as to have a base of knowledge from which to draw) but it is imperative to learn and understand a process by which a situation can be analyzed.

The process used in this thesis was Bryson's model of strategic issues management (as presented in Exhibit 4-1). A process is not a "magic formula" in and of itself, but is instead a tool to be used to assist in decision making.

It should also be noted that the application of any management theory is only done after a careful and complete analysis has been completed. Too frequently we all suffer from what I'll call the hammer and nail syndrome. That is, we learn how to apply one particular management tool (the hammer) and begin to "solve" every management problem (the nail) we come across with that one tool. This, like using a hammer to tighten a water pipe, is not always the most effective way to accomplish our task or solve our problem.

2. Secondary Research Questions

The answer to who should be involved and what factors or inputs should be considered when reorganizing is perhaps a bit more concrete--everyone and everything (pertinent to the organization).

An organization is in essence a team; to accomplish their mission a team must work together towards the same outcome. It is, therefore, important that all members of the organization have input into the decision making process. Understandably, not everyone will "get his way," but if given "ownership" in the process they will more likely support the final decision made.

We see in this case a number of comments from both the workers and staff that they felt left out and betrayed, and that they did not know why things were changed the way they had been.

Another important consideration is what factors or inputs to consider in the decision making process. As stated above, everything pertinent to the organization/situation is a contender. One of the particular strengths of Bryson's process is its all encompassing look at influential factors both internal and external to the organization.

PWD Kensington was faced with an external threat of competition and an internal strategy of customer service. Under ideal conditions the two could have been satisfied. Unfortunately ideal conditions did not exist and other external threats and internal weaknesses that had been overlooked were detrimental to the organization. It appears the Commander lacked the tool to help him better diagnose the situation.

B. FUTURE STUDY

Two separate and distinct items present themselves as potential topics of study.

The first is a continuation of Case Study Two, i.e., a look at the "team" concept in a Public Works Department. If the conditions had been more conducive, would a product/market organization structure have been successful? Have other PWDs tried this same type of approach? If so, were they successful?

Secondly, and potentially controversial, further study is called for in Case Study Three. Is consolidation which is

intended to introduce economies of scale, actually more efficient and cost effective? CAPT Hughes has postulated that:

> Economies of scale go unchallenged because the men who make the decisions - at the top - want to believe in them. Economists know that a point is reached when the inefficiencies of bigness overcome the economies. The compulsion to consolidate for the sake of power will in time build almost any organization beyond the critical mass into an inefficient bureaucracy. [Ref. 11:p. 3]

Even the initial evidence available in Case Three for PWD "Kensington" indicates that expenses will go up, not down.[2] Is this true for all bases being consolidated under DMRD No. 967? Or will some bases see an increase in costs while others will experience a decrease so that overall DoD will experience a decrease in costs? These are vital questions; the DMRD is built upon the assumption that consolidation will save DoD money, albeit five percent. Thus a conflict appears to exist that should be addressed--does consolidation produce "economies" of scale or "diseconomies" of scale?

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[2] As seen in Exhibit 3-3 the PWD Comptroller Budget Analyst estimates a $14 million shortfall in FY 93.

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